

Jobs, Skills, Training and Labour

Annual Report
2013-2014



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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Management Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 19 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

On December 6, 2013, the government announced new ministry structures. The 2013-2014 ministry annual reports and financial statements have been prepared based on the new ministry structures. The Ministry of Jobs, Skills, Training and Labour is comprised of programs formerly in the Ministries of Enterprise and Advanced Education and Human Services. Specifically, the following components were transferred to the ministry:

- Workforce Strategies division;
- Safe, Fair and Healthy Workplaces division;
- Immigrant Settlement and Language Programming branch;
- Aboriginal Economic Development branch;
- Online Initiatives and Information Supports branch;
- Staff to provide leadership on setting direction and policy for labour market agreements;
- Select Business and Industry Liaison staff;
- Primary Corporate Services staff to support the new ministry;
- Alberta Labour Relations Board;
- Appeals Commission for Alberta Workers' Compensation;
- Workers' Compensation Medical Panels;
- Occupational Health and Safety Council; and
- Workers' Compensation Board.

This annual report of the Ministry of Jobs, Skills, Training and Labour contains the minister's accountability statement, the audited financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- the financial statement of entities making up the ministry including the Department of Jobs, Skills, Training and Labour, the Alberta Labour Relations Board, the Appeals Commission for Alberta Workers' Compensation, Workers' Compensation Medical Panels and the Occupational Health and Safety Council; and
- other financial information as required by the *Financial Administration Act* and *Fiscal Management Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and financial information relating to trust funds.

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2014, was prepared under my direction in accordance with the *Fiscal Management Act* and the government's accounting policies. All of the government's policy decisions as at June 6, 2014 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Kyle Fawcett

Minister of Jobs, Skills, Training and Labour

Message from the Minister

With abundant natural resources and an active investment climate, Alberta's economy shows no signs of slowing down. Recognizing this, the Government of Alberta created Jobs, Skills, Training and Labour – a ministry to do the important work of building a skilled workforce, maintaining workplaces where workers are protected and treated fairly and ensuring Alberta remains this country's economic driver for years to come.

Jobs, Skills, Training and Labour brings together the Workforce Strategies division from the former Ministry of Enterprise and Advanced Education as well as the business areas of occupational health and safety, employment standards, labour relations, Aboriginal development, settlement and language programs, and others from the Ministry of Human Services. Together, we are united in our work to fulfil our mandate and accomplish our goals.

The ministry plays a key role in securing Alberta's economic future by investing in our most important resource – our people – and I am pleased to share with you the many accomplishments we have achieved so far.

Since the ministry was created in December, much of our work has focused on addressing the fundamental challenge of people without jobs and jobs without people and the development of our future workforce.

In December 2013, there were approximately 200,000 job vacancies in Canada, with about 22 per cent of these vacancies in Alberta. To help address this, the Alberta government and the Government of Canada signed an agreement to help connect Albertans with available jobs. The Canada Job Grant is an innovative, employer-driven approach designed to meet the economic needs of our province.

Equally important are the needs of our workers. Early this year, Compassionate Care came into effect allowing Albertans to take up to eight weeks of unpaid, job-protected leave from work to care for a gravely ill family member.

Alberta has changed and so has the need to look at our rules around work to ensure they reflect that change. We asked Albertans to "Talk about Work" and provide their input into Alberta's employment standards.

Alberta is changing in other ways. In the last year alone, we welcomed almost 100,000 new Albertans, and we expect a million more over the next 10 years. With the Federal, Provincial and Territorial (FPT) Forum of Immigration Ministers, Jobs, Skills, Training and Labour has made economic immigration a top priority by working with the federal government on building Canada's new 'Express Entry' – a system that will be more responsive to labour market needs.

We introduced options through the Alberta Immigrant Nominee Program (AINP) so that immigrants in our province can work to their full potential. Further, we continue to make changes to the way foreign qualifications are assessed and recognized so we can attract the best and the brightest.

In our efforts to ensure that Albertans with foreign educational credentials can use their skills and fully contribute to the economy, we have completed over 8,300 assessments through the International Qualifications Assessment Services (IQAS) – a 15 per cent increase in production from the previous year; and received over 10,000 applications – an 18 per cent increase in service demand from the previous year.

Work continues to focus on workplace health, safety and fairness, including improving education, increasing enforcement and expanding information sharing. Occupational Health and Safety Officers focused on 28 ski hill operators in an inspection campaign that saw a significant drop in the number of infractions after a total of 40 inspections were carried out. In March, the first 10 Occupational Health and Safety Officers completed the newly designed peace officer training. This designation gives officers the ability to write tickets to employers and workers who cut corners and put people at risk.

Of note, invaluable contributions were made during the 2013 Southern Alberta floods. Our own Occupational Health and Safety Officers were deep in the mud ensuring that volunteers and workers alike were responding to this disaster without neglecting their own health and safety.

In addition, our Temporary Foreign Worker Advisory Office (TFWAO) staff worked at evacuation centers in Nanton, Blackie, Vulcan, Lethbridge and the University of Calgary and contacted 224 temporary foreign workers to ensure they received the help they needed to continue their employment and to recover important documents.

Alberta's economy leads the country, and Jobs, Skills, Training and Labour is playing a key role in driving Alberta's prosperity. In the coming year, the ministry will continue working with our stakeholders, training and labour partners to position Alberta for economic and social success, now and for the future.

[Original signed by]

Kyle Fawcett

Minister of Jobs, Skills, Training and Labour

Management's Responsibility for Reporting

The Ministry of Jobs, Skills, Training and Labour includes:

- The Department of Jobs, Skills, Training and Labour;
- Alberta Labour Relations Board;
- Appeals Commission for Alberta Workers' Compensation;
- Occupational Health and Safety Council;
- Workers' Compensation Medical Panels; and
- Workers' Compensation Board.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the financial statements and performance results for the ministry rests with the Minister of Jobs, Skills, Training and Labour. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, including financial statements and performance results. The financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – information agrees with underlying data and the sources used to prepare it;
- Understandability and Comparability – current results are presented clearly in accordance with the stated methodology and are comparable with previous results; and
- Completeness – performance measures and targets match those included in Budget 2013.

As Deputy Minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under ministry administration;
- provide Executive Council, the President of Treasury Board, the Minister of Finance and the Minister of Jobs, Skills, Training and Labour information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Fiscal Management Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executive of the individual entities within the ministry.

[Original signed by]

Lana Lougheed
Deputy Minister of Jobs, Skills, Training and Labour

June 6, 2014

Results Analysis

Ministry Overview

2013-2014 Ministry Goals, Priority Initiatives
and Performance Measures

Review Engagement Report (Auditor
General's Report)

Performance Measures Summary Table

Discussion and Analysis of Results

Goal 1: Alberta has fair, safe, healthy and
inclusive workplaces and a skilled labour
force that contributes to economic prosperity

Goal 2: Alberta's workforce is skilled and
productive

Ministry Overview

The Ministry

The Ministry of Jobs, Skills, Training and Labour provides supports to meet the needs of both employees and employers. This work focuses on building a skilled workforce for the jobs of today as well as tomorrow, and maintaining safe, fair and healthy workplaces.

The Department

The Department of Jobs, Skills, Training and Labour consists of the areas described below:

Deputy Minister's Office

The Deputy Minister's office leads the department and provides advice and support to the Minister. The Deputy Minister's office is the link to the Minister's office to ensure the work of the department meets the goals and objectives outlined in the Business Plan and the priorities provided to the Minister by the Premier. The Deputy Minister supports the Deputy Minister of Executive Council by contributing to policy development, planning and implementation of cross-ministry initiatives, and advocating for new approaches and long-term views toward achieving government-wide goals.

Safe, Fair and Healthy Workplaces

The Safe, Fair and Healthy Workplaces division delivers programs and develops legislation, policy, and programs to ensure Alberta's workplaces contribute to a productive economy. Working with employers, labour associations, unions and workers directly, this area works to instil a culture of awareness and compliance with several pieces of workplace-related legislation.

Key responsibilities include:

- developing legislation, standards and policies related to occupational health and safety, employment standards and labour relations;
- developing educational materials and raising awareness of industry best practices to ensure that Alberta's workplaces are safe and healthy and that workers are treated fairly;
- enforcing the *Employment Standards Code*, which sets the minimum standards of employment (pay, vacation, termination, etc.), by responding to complaints, conducting investigations and administering appeals of orders and decisions;
- enforcing the *Occupational Health and Safety Act*, which sets the standards for the protection of workers by educating employers and workers about their health and safety rights and responsibilities, by proactively inspecting worksites, as well as by responding to and investigating occupational health and safety complaints, serious incidents and fatalities;
- providing a framework for preventing and reducing diseases related to occupational hazards;
- providing mediation services to trade unions and employers in the collective bargaining process, appointing grievance arbitrators, and providing objective collective bargaining information;
- working with formal Partners and Certifying Partners to assist employers in developing a

comprehensive health and safety management system necessary for the issuance of a Certificate of Recognition; and

- providing advice, guidance and issues resolution through the Temporary Foreign Worker (TFW) Advisory Office to TFWs related to their employment in Alberta.

Workforce Strategies

The Workforce Strategies division works across government and with industry to identify labour force needs and issues, and develops and implements policies, strategies and programs to address Alberta's labour force requirements now and in the future.

Key responsibilities include:

- developing and implementing Alberta's long-term workforce, including increasing workforce participation of all Albertans;
- leading the development of labour market information and resources for decision-makers, industry, employers and job seekers;
- working with industry and employers to support them in meeting their labour force requirements;
- facilitating credential recognition for those trained or educated outside of Alberta;
- leading the attraction, selection and retention of immigrants to meet Alberta's labour force requirements;
- working closely with self-regulating professional associations to ensure that they are governed in the public interest; and
- administering the *Land Agents Licensing Act*.

Corporate Services

The Corporate Services branch is responsible for the ministry's financial planning and policies, Freedom of Information and Protection of Privacy services, legislative services, and corporate planning and reporting.

Key responsibilities include:

- leading the efficient and sustainable development and analysis of ministry financial planning, and the preparation of budgets (estimates) and monitoring;
- overseeing the preparation and implementation of ministry financial reporting, compliance and accountability, financial processes and policies;
- providing corporate services for facilities and accommodations, information and records management, and business continuity;
- balancing transparency and privacy, and delivering services related to the *Freedom of Information and Protection of Privacy Act*; and
- leading the development of ministry strategic planning, business planning and annual reporting processes.

Communications

Communications provides planning, advice and support to the Minister and the department, and clear and timely information to the public about the ministry's key initiatives, programs and services. Communications is also responsible for providing advice on issues management, media relations, specialized writing, social media, website content and product design.

Human Resources

Human Resources leads strategic human resource initiatives and oversees the planning, development and delivery of human resource services for the ministry. Human Resources develops innovative and collaborative strategies to recruit, engage and develop staff.

Information Management and Information Technology (IMIT)

IMIT leads strategic information and information technology initiatives and oversees the planning, development and delivery of IMIT services to the ministry.

Agencies, Boards and Commissions

The Ministry of Jobs, Skills, Training and Labour also includes the following agencies, boards and commissions:

Alberta Labour Relations Board

The Alberta Labour Relations Board (ALRB) is an independent and impartial tribunal responsible for the day-to-day application and interpretation of Alberta's labour laws. It processes applications and conducts hearings on matters arising from both private and public sectors. Some, but not all, of the issues that come before the ALRB include certifications, revocations, various votes, bargaining unit determinations, and unfair labour practices, which fall under the *Labour Relations Code*, *Public Service Employee Relations Act*, and *Police Officers Collective Bargaining Act*.

The *Labour Relations Code* encourages parties to settle their disputes through honest and open communication. The ALRB offers informal settlement options to the parties, but it also has inquiry and hearing powers to make binding rulings whenever necessary.

Appeals Commission for Alberta Workers' Compensation

The Appeals Commission for Alberta Workers' Compensation, an independent and impartial tribunal, hears worker and employer appeals arising from Workers' Compensation Board (WCB) review bodies. The mission of the Appeals Commission is to provide a timely, fair and independent appeals process consistent with legislation, policy and the principles of natural justice.

Occupational Health and Safety Council

The Occupational Health and Safety Council advises the Minister on matters concerning the *Occupational Health and Safety Act*, Code and Regulation. In addition, the Council is empowered to hear appeals related to orders issued by Occupational Health and Safety officers, cancellations/suspensions of a licence or permit, and rulings from a disciplinary action complaint investigation.

With the coming into effect of the *Protections and Compliance Statutes Amendment Act* on December 10, 2012, the duties of the OHS Council were expanded to include hearing appeals to administrative penalties for violations.

Workers' Compensation Board – Alberta

The Workers' Compensation Board – Alberta (WCB) is an employer funded, not-for-profit organization legislated to administer the workers' compensation system for the province's employers. The WCB is independently funded and operated as an insurance enterprise. In Canada, workers' compensation is a no-fault disability insurance system that protects both employers and workers against the economic impact of work-related injuries and occupational disease.

Workers' Compensation Medical Panels

Medical panels provide the WCB and Appeals Commission with an impartial, independent decision-making process to resolve medical issues that affect a claimant's right to compensation. Each panel is made up of three contracted physicians with specialized knowledge of the medical area in dispute.

2013-2014 Ministry Goals, Priority Initiatives and Performance Measures

Jobs, Skills, Training and Labour is responsible for reporting on the following goals, priority initiatives and performance measures:

From Human Services 2013-16 Business Plan

Alberta has fair, safe, healthy and inclusive workplaces and a skilled labour force that contributes to economic prosperity

Priority Initiatives:

- Streamline and institute compliance models that align workplace enforcement activities while advancing awareness through partnerships, educational programs, and best practices.
- Enhance labour legislation and policies to ensure workplaces are productive, fair, and safe.
- Implement targeted workforce strategies and initiatives to increase labour force participation of under-represented groups.*
- Provide timely, effective and efficient services to the labour relations stakeholders through the Alberta Labour Relations Board.
- Provide timely and fair appeal services through the Appeals Commission for Alberta Workers' Compensation.
- In collaboration with other ministries, strengthen partnerships with Alberta's industry associations and employers to assist them in meeting their workforce requirements.*

* Indicates priority initiatives are shared with Human Services for 2013-2014.

Performance Measures:

- Inter-provincial rank of Alberta's First Nations, Métis and off-reserve labour force participation rate.
- Lost-time Claim Rate: Number of lost-time claims per 100 person-years worked.

From former Enterprise and Advanced Education 2013-16 Business Plan

Alberta's workforce is skilled and productive

Priority Initiatives:

- Develop a new Alberta immigration approach, including a highly targeted domestic and international labour marketing strategy to help meet Alberta's labour challenges.
- Develop strategies to increase participation of groups under-represented in the workforce, including youth.
- Develop an Aboriginal workforce strategy, building on *Connecting the Dots: Aboriginal Workforce and Economic Development in Alberta*.

- Renew Alberta's labour strategy, including enhancing and developing tools for improved labour market information and forecasting to anticipate and meet labour needs.

Performance Measures:

- Alberta's labour force participation rate and interprovincial ranking.
- Alberta's immigrant labour force participation rate.



Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measure identified as reviewed by the Office of the Auditor General in the Ministry of Jobs, Skills, Training and Labour's Annual Report 2013–2014. The reviewed performance measure is the responsibility of the ministry and is prepared based on the following criteria:

- *Reliability*—The information used in applying performance measure methodology agrees with underlying source data for the current and prior years' results.
- *Understandability*—The performance measure methodology and results are presented clearly.
- *Comparability*—The methodology for performance measure preparation are applied consistently for the current and prior years' results.
- *Completeness*—The goal, performance measure and related target match those included in the ministry's budget 2013.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measure. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measure in demonstrating ministry progress towards the related goal.

Based on my review, nothing has come to my attention that causes me to believe that the performance measure identified as reviewed by the Office of the Auditor General in the ministry's annual report 2013–2014 is not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 15, 2014

Edmonton, Alberta

Performance measure reviewed by the Office of the Auditor General is noted with an asterisk (*)
on the Performance Measures Summary Table.

Performance Measures Summary Table

Goals/Performance Measure(s)	Prior Year's Results				Target	Current Actual
1. Alberta has fair, safe, healthy and inclusive workplaces and a skilled labour force that contributes to economic prosperity						
1.a Inter-provincial rank of Alberta's First Nations, Métis and Inuit off-reserve labour force participation rate	#3 (69.9%) 2009	#1 (70.6%) 2010	#1 (67.7%) 2011	#2 (69.9%) 2012	#1	#1 (71.7%) 2013
1.b Lost-time claim rate: number of lost-time claims per 100 person-years worked	1.59 † 2009	1.47 † 2010	1.50 † 2011	1.40 † 2012	1.35	1.34 2013
2. Alberta's workforce is skilled and productive						
2.a Alberta's labour force participation rate and interprovincial ranking*	#1 (74.3%) 2009	#1 (72.9%) 2010	#1 (73.7%) 2011	#1 (73.4%) 2012	#1 (73.7%)	#1 (73.1%) 2013
2.b Alberta's immigrant labour force participation rate	69.0% 2009	68.9% 2010	70.2% 2011	69.9% 2012	70.9%	68.2% 2013

† The previous four years of results were re-calculated with the updated data provided by the WCB. By re-calculating historical results, this provides the reader most accurate and up-to-date injury information. There is no change in how the result is calculated.

* Indicates performance measure that has been reviewed by the Office of the Auditor General

The performance measure indicated with an asterisk was selected for review by ministry management based on the following criteria established by government:

- Enduring measures that best represent the goal;
- Measures for which new data is available; and
- Measures that have well-established methodology.

Discussion and Analysis of Results

Each day in Alberta, more than two million people go to work. They are the front lines of economic growth, international competitiveness, responsible development and building Alberta. Jobs, Skills, Training and Labour was created to contribute to thriving workplaces that are safe, fair and healthy and to help current and future workers be equipped to do their jobs. With an unemployment rate of 4.6 per cent in 2013 and skill shortages increasing across many sectors, it was the time to create this ministry and bring a sharper focus on making Alberta's workplaces the safest, fairest and most productive in Canada. The ministry works with key stakeholders and builds strong relationships to jointly create the positive change needed to support Alberta's dynamic economy as well as workplaces that meet the needs of both employers and workers.

The ministry's 2013-2014 revenues were \$63.4 million, approximately \$11.5 million more than the previous year. The increase is primarily due to an increase of \$8.5 million in revenue received from the Workers' Compensation Board. The increase was partially offset by a decrease in federal government transfers allocated to ministry programs.

The ministry's overall spending in 2013-2014 was \$135.8 million, which was a decrease of \$6.2 million from the prior year. A decrease of \$14.9 million in the Workforce Strategies program was partially offset by an increase of \$6.3 million in the Safe, Fair and Healthy Workplaces program and other smaller increases in ministry programs.

Within this context, the following sections outline the accomplishments of Jobs, Skills, Training and Labour during 2013-2014.

Goal 1: Alberta has fair, safe, healthy and inclusive workplaces and a skilled labour force that contributes to economic prosperity

Safe, fair and healthy workplaces contribute to productivity, increase the quality of life for Alberta workers and support keeping Alberta prosperous and competitive in the global economy. The ministry informs, promotes, monitors, and regulates employers and workers in Alberta about workplace rights and responsibilities, including labour relations, occupational health and safety, and employment standards.

In addition, the ministry works to support the development of Alberta's labour force. Through collaborative efforts with Alberta's industry associations, employers, other provincial government ministries and the federal government, the ministry works to support Albertans in their ongoing attachment to and resilience in the labour force through the availability of learning and training opportunities.

Key results and highlights during 2013-2014 which support this goal include:

Employment Standards

- On September 1, 2013, the minimum wage was adjusted to reflect increases to the Consumer Price Index and Average Weekly Earnings in Alberta. The general minimum wage was raised from \$9.75 per hour to \$9.95 per hour. The liquor server minimum wage rate remained unchanged at \$9.05 per hour. The recommendation to increase the general minimum wage was based on the indexing policy adopted by the government in 2011, which ties increases in the minimum wage to changes in the Consumer Price Index and average weekly earnings.
- On February 1, 2014, the *Employment Standards Code* (Code) was amended by a private member's bill to add compassionate care leave. The leave is accessible to eligible employees requiring time off from work to care for gravely ill family members. The leave protects an employee's job during their absence when they are acting as a primary caregiver and employees may be eligible for corresponding federal employment insurance benefits during that time.
- The ministry significantly enhanced the resources available for Albertans wishing to submit an employment standards complaint. These new resources provide potential claimants with multiple self-help tools and are expected to improve the accuracy of estimates regarding unpaid earnings while bringing considerably quicker resolution to claims. The resources are available online at <http://work.alberta.ca/employment-standards.html> by clicking on the Submit a Complaint link.
- Over 6,200 employment standards complaints were received in 2013-2014 and 6,975 investigations were completed. These investigations resulted in over \$4.5 million in unpaid earnings being returned to Albertans.
- The ministry's Temporary Foreign Worker Advisory Office (TFWAO) through coordination, cooperation, and collaboration with all levels of governments and non-government partners provided support and services to Temporary Foreign Workers (TFW) across the province to help resolve situations involving unfair, unsafe, or unhealthy working and living conditions.
 - In 2013-2014, the TFWAO provided 51 presentations across Alberta to TFW and other stakeholders to raise awareness of their rights and responsibilities; TFWAO staff also served over 2,200 TFW on a one-on-one basis to address their concerns.
 - The TFWAO made over 4,300 enforcement and non-enforcement referrals to provincial, federal and non-government partners regarding concerns from TFW.

Occupational Health and Safety

- Jobs, Skills, Training and Labour established an administrative penalty system and a ticketing system for occupational health and safety (OHS) violations to provide additional compliance tools to encourage workers and their employers to consistently abide by OHS law.
 - In March 2014, the first ten Occupational Health and Safety Officers completed newly designed peace officer training. The new designation gives officers the ability to write tickets to employers and workers who cut corners and put people at risk.
- Through a well-publicized, province-wide campaign, the ministry continued to focus on improving industry health and safety measures. For example, proactive work focusing on the ski hill industry resulted in considerable improvements in the second year of the project. Specifically, 66 per cent fewer orders were issued to employers.
- Over 8,500 inspections and re-inspections were conducted in 2013-2014 resulting in the issuance of over 7,500 OHS orders to employers to meet and comply with safety and/or health standards as set out in the *OHS Act*, Regulation and Code. In addition, ten prosecutions for the most serious OHS infractions were undertaken with fine amounts ranging from \$75 thousand to \$1.25 million.

Labour Relations

- In 2013, 97.8 per cent of collective bargaining agreements were achieved without a work stoppage. Of the 85 mediations that were concluded in the year where a ministry-appointed mediator was engaged to assist the parties in their negotiations, over 80 were settled without a work stoppage.

Development of Alberta's Workforce

- The Alberta Learning Information Service (ALIS) website attracted 4.75 million visitors in 2013-2014 and continued to provide career, learning, employment, workplace and labour market information resources in print and online to help Albertans make informed plans and decisions.
- The Integrated Service Program (ISP), which is co-managed by the ministry and Citizenship and Immigration Canada (CIC), provides funding to non-profit agencies to support the successful settlement and integration of newcomers to Alberta. ISP services and activities increase the ability of newcomers to access opportunities, services and resources, as well as to enhance their labour market participation and economic independence. Approximately 29,000 clients were served through the program in 2013-2014.
- The ministry's Language Assessment Services program assesses English language skills for newcomers, and provides information and counselling for language and skills training options to help newcomers secure jobs and stay employed. Approximately 26,000 Albertans received these services in 2013-2014.
- English as a Second Language (ESL) drop-in supports provide learning opportunities to immigrants who cannot access mainstream programming. Approximately 1,500 learners received services at ESL drop-in centres in 2013-2014. The Language Training Program (LTP) Innovation Fund continued to support the Alberta language learning community by funding innovative projects to help skilled immigrants integrate into the labour market. An example of a successful LTP project is with Alberta Workforce Essential Skills Society (AWES) called Focus on Investment. This project developed and delivered an e-learning course called English Through the Workplace Safety (EWS) Program. In addition, they created an e-learning version of the Construction Safety Training

System Study Guide to help newcomers take the construction safety course.

- Temporary Foreign Worker (TFW) Support Services provided funding to immigrant settlement agencies to help support TFWs' transition into living and working in Alberta. Services are provided through five agencies in seven communities throughout Alberta. An estimated 4,250 clients accessed TFW Support Services in 2013-2014.

Alberta Labour Relations Board

- In 2013-2014, the Alberta Labour Relations Board (ALRB) addressed a number of high profile labour disputes in the public sector. The ALRB continues to see success in resolving matters without formal adjudication with 73 per cent of applications being resolved without going to hearing.

Appeals Commission for Alberta Workers' Compensation

- In 2013-2014, the Appeals Commission worked to recruit and develop new commissioners; developed a comprehensive quality management system; redeveloped its website to improve ease of use, implemented electronic document management which will enable appeals to be submitted electronically; broadened the use of video-conferencing; and improved its records management system, including improving privacy compliance protocols.

Performance Measures

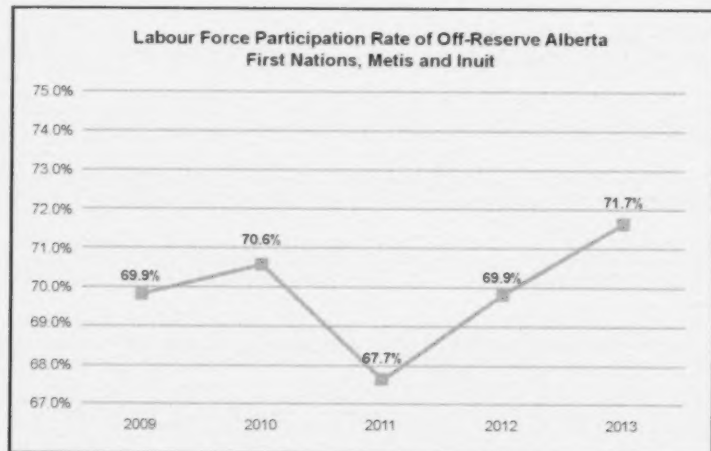
Inter-provincial rank of Alberta's First Nations, Métis and Inuit off-reserve labour force participation rate

Target: #1

Result: #1

The First Nations, Métis and Inuit off-reserve labour force participation rate in Alberta was the highest in Canada at 71.7 per cent, with Saskatchewan having the second highest participation rate at 66.3 per cent.

The ministry continued to invest in Community Plans and Labour Force Surveys for Aboriginal communities to help increase labour force participation, supported Aboriginal entrepreneurs interested in starting up or expanding a business, and supported Aboriginal youth through entrepreneurial and career exposure camps.



Through partnerships with other ministries, governments, industry, employers and Aboriginal groups and communities, working to increase the participation rate of under-represented groups, including Aboriginal Albertans, remains a priority for Jobs, Skills, Training and Labour.

In 2014-2015, this performance measure will be reported as a performance indicator in Jobs, Skills, Training and Labour's annual report, along with Alberta immigrants and youth as there are many factors outside the ministry's sphere of influence that impact the results.

Lost-time Claim Rate: Number of lost-time claims per 100 person-years worked

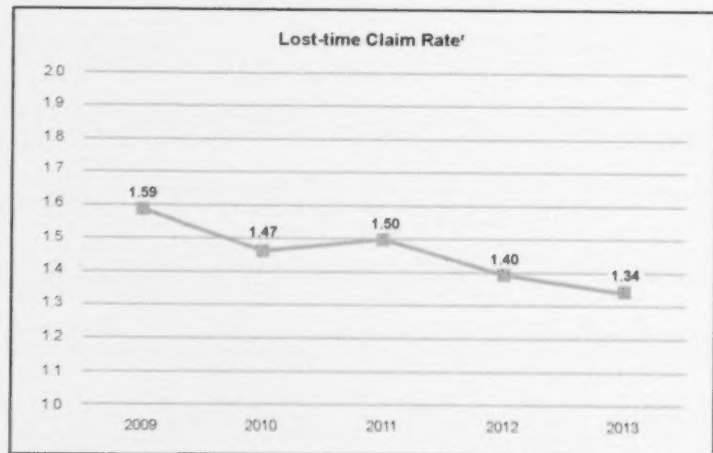
Target: 1.35

Result: 1.34

Levels of safety in Alberta as measured by the Lost-time Claim Rate (LTCR) improved in 2013. The LTCR decreased in 2013 to 1.34 from 1.40 in 2012. With the exception of 2011, the LTCR has decreased since 2007. There are many factors that influence the LTCR results including efforts by employers to implement safety programs, attitude of workers and external forces arising from the economic cycle. For example, economic prosperity usually brings a large number of inexperienced workers into workplaces.

In addition to these external factors, the ministry has many programs that promote safe practices in the

workplace such as Certificates of Recognition, which are issued to employers who develop health and safety programs that meet established standards, as well as Work Safe Alberta, which is an initiative to reduce work-related injuries, illnesses and fatalities, in consultation with industry and labour groups. The ministry developed marketing campaigns to promote safety and provided educational materials on how to work safely and stay healthy on the job. The ministry also worked to enhance compliance efforts through focused inspections and the implementation of administrative penalties and tickets for both employers and employees. Progress has also been made to improve the quality of investigations of serious incidents and fatalities through enhanced training of investigators and closer connections with Crown prosecutors.



The previous four years of results were re-calculated with the updated data provided by the WCB. Re-calculating the historical results provides the reader with the most accurate and up-to-date injury information. There is no change in how the result is calculated.

Goal 2: Alberta's workforce is skilled and productive

Alberta's economic success depends on the strength and skill of our labour force. Jobs, Skills, Training and Labour works to support and develop Alberta's labour force through programs and initiatives that are responsive to Alberta's labour needs. Some activities include developing timely and relevant labour market information, supporting under-represented groups; attraction and retention efforts, and recognizing other Canadian and foreign qualifications.

Key results and highlights during 2013-2014 which support this goal include:

New Immigration Approach

- The ministry leverages the Alberta Immigrant Nominee Program (AINP) to attract work-ready migrants to the province. Individuals nominated by the Government of Alberta can apply to the federal government for a permanent resident visa as a Provincial Nominee. In 2013, just over 9,894 applications were processed, resulting in the issuance of 5,541 nomination certificates. This impacted approximately 11,962 individuals (principal applicants and family members).
- The ministry piloted an initiative to allow foreign workers with Alberta work experience to apply directly to the AINP. The AINP also made program criteria changes to simplify the application process. These changes were made to help those working in Alberta stay permanently and will help to build Alberta's permanent workforce.
- The ministry continued to raise awareness of the AINP with Alberta employers and immigrants through a coordinated marketing campaign including webinars that reached over 2,600 attendees.
- The ministry's Foreign Qualification Recognition Innovation Fund continued to assist stakeholders with streamlining the foreign qualification assessment process, improving access to relevant and current information about qualification recognition processes, and enhancing the recognition of internationally trained applicants. Many Professional Regulatory Organizations (PROs) have used the fund to establish projects that help to eliminate barriers faced by internationally educated professionals. Examples of projects include:
 - In 2013-2014, the College of Physical Therapists of Alberta completed a review of international physiotherapy education accreditation systems in Australia, United States, United Kingdom and Ireland. The review found these accreditation systems to be broadly comparable to systems in place in Canada, and as a result the College will now work towards exploring the recognition of physical therapy certification from those countries and to developing mutual recognition agreements with the above countries.
 - In 2013-2014, Global Leadership Associates created nine workplace cultural competency online training modules for employers and immigrants. These modules increase the capacity of employers to understand and better use the skills of their international employees, and allow internationally trained workers to learn about Canadian workplace cultural norms and how to advance within Canadian employment systems.
- Recognition of international educational credentials was facilitated by the ministry's International Qualifications Assessment Services (IQAS), which issued over 8,300 assessment certificates in 2013-2014. This represents an increase of more than 900 assessment certificates issued from the previous year. These certificates help immigrants access the Alberta job market, educational institutions, and professional regulatory organizations.

- Alberta also held the Secretariat for the Federal/Provincial/Territorial (FPT) Ministers responsible for Immigration and worked with our FPT partners to build a stronger and more successful immigration system. The Secretariat helped to advance the design and development of the new federal immigration system Expression of Interest (EOI) to help meet the workforce needs of Alberta and across Canada.
- In 2013-2014, Alberta held Expression of Interest Dialogue Sessions with employers and stakeholders in Edmonton and Calgary that generated feedback that was important in advancing Alberta's perspective on the federal EOI system.

Domestic and International Labour Marketing Strategy

- In 2013-2014, the ministry made significant progress in supporting Alberta employers with highly targeted domestic and international recruitment strategies and connected job seekers with opportunities in Alberta.
 - In May 2013, the ministry hosted a two-day virtual job expo, providing a platform for Alberta employers and partners to connect virtually with jobseekers. More than 1,400 attendees from Alberta, Canada and various international markets had the opportunity to chat live with employers, apply for jobs, join online presentations and download information about working in Alberta. The ministry also supported Calgary Economic Development and Alberta employers that attended Working Abroad Job Fairs in Ireland and the United Kingdom, by providing on-site immigration expertise.
 - Web applications hosted on the AlbertaCanada.com immigration site were updated to provide greater functionality on mobile devices. These applications include an interactive Alberta map, a frequently asked questions tool, and Alberta Newcomer Information Subscription Services forms. Traffic to the immigration portal increased 44 per cent from 2012-2013, to more than two million visits, and subscriptions to the Alberta Newcomer Information Subscription Service grew by 14 per cent from 2012-2013 to more than 32,000 users.
 - Many prospective immigrants to Alberta require decision support, procedural information about the immigration process, and pre-arrival and settlement advice. The ministry's Immigration Help Centre (IHC), available on AlbertaCanada.com, was implemented in 2013-2014 and provides comprehensive immigration information through an online, interactive self-service tool. The IHC is built around a searchable frequently asked questions (FAQs) tool which generates custom immigration information based on a database of more than 500 questions. The IHC also features pre- and post-arrival checklists for newcomers, video FAQs, video testimonials from new Albertans, and a link to the Alberta Newcomer Information Subscription Service. Since its launch in May of 2013, the IHC has received more than 140,000 visits.

Participation of Under-Represented Groups in the Workforce

- Jobs, Skills, Training and Labour partnered with industry associations to support a number of projects aimed at increasing labour force participation amongst under-represented groups and developing timely, relevant labour market information.
 - In 2013-2014, the ministry supported projects that help Alberta's efforts to ease worker shortages by encouraging participation of women in industries where they are under-represented. This included supporting Electricity Human Resources Canada who

conducted two Alberta-specific pilot projects for the electricity sector and development of videos targeted towards women. The series of videos feature women in the Alberta electricity sector and provide an introduction to the wide variety of positions available.

- Progress Highlights on the *Connecting the Dots: Aboriginal Workforce and Economic Development in Alberta* strategy was released in October 2013 to demonstrate progress related to Aboriginal workforce and economic development in Alberta. The cross-ministry partners for this strategy include Jobs, Skills, Training and Labour; Human Services; Aboriginal Relations; Innovation and Advanced Education; Education; Service Alberta; Culture; Justice and Attorney General; and Corporate Human Resources.
- In 2013-2014, the ministry engaged a broad range of stakeholders to define the needs, gaps and approaches related to youth employment issues and supported several projects. This included partnering with Calgary Region of Human Services, Calgary Logistics Council and the Calgary Regional Partnership on the Attracting Youth to a Sustainable Supply Chain Workforce Pilot Project. Over 70 per cent of the youth participants completed the classroom and paid internship components, leading to over 60 per cent of them obtaining a job and the remainder either entering education or identified for further employment readiness opportunities. The engagement has also guided the development of career awareness and a career services model in the Calgary Region.

Workforce Strategies

- Working with other ministries, the ministry continued to develop and distribute labour market information, analysis and forecasts.
 - In 2013-2014, Jobs, Skills, Training and Labour released an updated Occupational Demand and Supply Outlook for 2013-2023. The Occupational Demand and Supply Outlook, which is available at <http://work.alberta.ca/demand-supply-outlook>, contains information on forecasted labour shortages and surpluses for occupations in Alberta for the next 10 years. The most recent Outlook forecasts a cumulative labour shortage in Alberta of 96,000 workers by the year 2023. The Occupational Demand and Supply Outlook, along with other labour market information, provides the foundation of evidence on which the ministry is able to develop a workforce to meet future demands by building essential skills and promoting ongoing learning.
 - The ministry continued its partnership with the Construction Owners Association of Alberta and the oil sands industry to project workforce supply and demand for Alberta's oil sands industry through the Oil Sands Information Labour Market Analysis Projection (OILMAP) tool. OILMAP information was released on December 19, 2013 on the Construction Owners Association of Alberta's website at <http://www.coaa.ab.ca> and clicking on Workforce Demand Forecast. In 2013-2014, over 225 energy-related projects were tracked through the tool, involving more than 400 companies. The OILMAP workforce model enables industry, government and other stakeholders to have a better understanding of the labour force requirements for heavy industrial construction projects for workforce planning and policy development.
 - The Alberta Workforce Information (AWI) tool was launched by the ministry in November 2013. AWI is an online subscription tool that employers can sign-up for to receive timely and relevant workforce related information. As of March 31, 2014, there were 616 employers registered.

Performance Measures

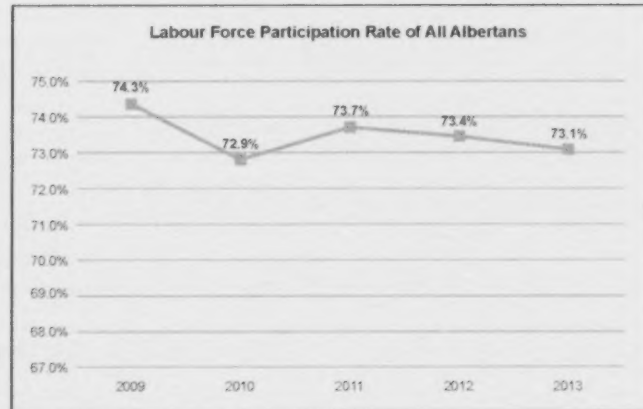
Alberta's labour force participation rate and interprovincial ranking

Target: #1, 73.7%

Result: #1, 73.1%

Alberta had the highest labour force participation rate in Canada in 2013 at 73.1 per cent. Though the rate decreased slightly in 2013, Alberta ranks number one among all Canadian provinces, with 3.1 percentage points higher than number two-ranked Saskatchewan, where the participation rate was 70.0 per cent, and significantly higher than the national labour force participation rate of 66.5 per cent.

Jobs, Skills, Training and Labour works with other ministries, the federal government, business and industry to increase the labour force participation of Albertans to help meet our labour force needs.



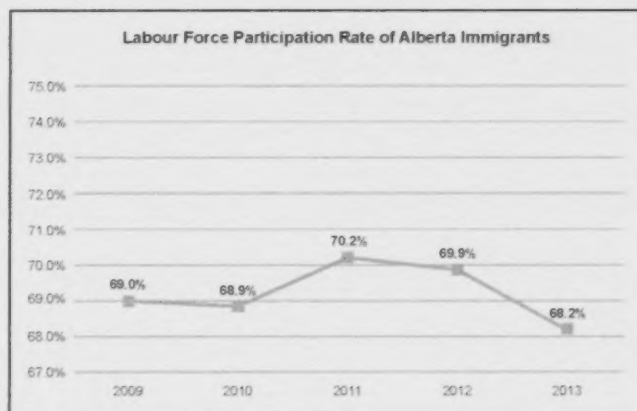
Alberta's immigrant labour force participation rate

Target: 70.9%

Result: 68.2%

The labour force participation rate of immigrant Albertans has been decreasing over the last few years. The decline in labour force participation rate between 2012 and 2013 is more pronounced among very recent immigrants.

Alberta has been very successful in attracting new immigrants in recent years and the number of new immigrants has been increasing annually. Because new immigrants initially have lower labour force participation rates, this contributed to the lower overall immigrant participation rate.



Even though the immigrant participation rate declined, Alberta was one of the three provinces (along with Saskatchewan and Manitoba) with the highest immigrant labour force participation rates over the last three years. Alberta will continue to work to ensure that economic immigration selection criteria at the national level are responsive to Alberta's labour market needs. This is essential given that the majority of economic immigrants landing in Alberta come under the federal streams. Alberta will continue to promote pathways for retaining skilled workers, and increase the labour force participation rates of immigrants.

Note: In 2014-2015, this performance measure will be reported as a performance indicator in Jobs, Skills, Training and Labour's annual report, along with the participation rates of Aboriginal Albertans living off-reserve and youth as there are many factors outside the ministry's sphere of influence that impact the results.

Financial Information

Independent Auditor's Report

Financial Statements

Financial Statements: Workers'
Compensation Board



Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Financial Statements

I have audited the accompanying financial statements of the Ministry of Jobs, Skills, Training and Labour, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ministry of Jobs, Skills, Training and Labour as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 6, 2014

Edmonton, Alberta

Financial Statements

Year ended March 31, 2014

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Revenues

Schedule 2 – Credit or Recovery

Schedule 3 – Expenses – Directly Incurred Detailed by Object

Schedule 4 – Lapse/Encumbrance

Schedule 5 – Lottery Fund Estimates

Schedule 6 – Salary and Benefits Disclosures

Schedule 7 – Related Party Transactions

Schedule 8 – Allocated Costs

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
STATEMENT OF OPERATIONS
Year ended March 31, 2014

	2014		2013
	Budget	Actual	Actual
	(Schedule 4)		(Restated Note 3)
	(in thousands)		
Revenues (Schedule 1)			
Government Transfers			
Labour Market Agreement	\$ 5,393	\$ 5,393	\$ 7,641
Labour Market Development Agreement	946	1,754	1,309
Other Transfers	-	-	628
Premium, Fees and Licences	585	615	839
Other Revenue	50,465	55,592	41,427
	<u>57,389</u>	<u>63,354</u>	<u>51,844</u>
Expenses - Directly Incurred (Note 2b and Schedule 8)			
Program (Schedules 3 and 5)			
Ministry Support Services	1,755	2,744	1,290
Workforce Strategies	69,380	65,891	80,800
Safe, Fair, & Healthy Workplaces	55,378	53,098	46,804
Labour Relations Board	3,162	3,139	3,207
Appeals Commission for Alberta Workers'			
Compensation	10,658	10,949	9,942
	<u>140,333</u>	<u>135,821</u>	<u>142,043</u>
Net Operating Results	<u>\$ (82,944)</u>	<u>\$ (72,467)</u>	<u>\$ (90,199)</u>

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
STATEMENT OF FINANCIAL POSITION
As at March 31, 2014

	2014	2013 (Restated Note 3)
	(in thousands)	
Assets		
Cash and Cash Equivalents	\$ -	\$ 5
Accounts Receivable (Note 4)	5,517	12,960
Tangible Capital Assets (Note 5)	5,851	5,345
	<u>\$ 11,368</u>	<u>\$ 18,310</u>
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 11,536	\$ 10,097
Deferred Revenue (Note 6)	4,007	10,088
	<u>15,543</u>	<u>20,185</u>
Net Liabilities		
Net Liabilities at Beginning of Year	(1,875)	(8,615)
Net Operating Results	(72,467)	(90,199)
Net Financing Provided from General Revenues	70,167	96,939
	<u>(4,175)</u>	<u>(1,875)</u>
	<u>\$ 11,368</u>	<u>\$ 18,310</u>

Contractual obligations and contingent liabilities (Notes 7 and 8)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
STATEMENT OF CASH FLOWS
Year ended March 31, 2014

	2014	2013 (Restated Note 3)
	(in thousands)	
Operating Transactions		
Net Operating Results	\$ (72,467)	\$ (90,199)
Non-Cash Items included in Net Operating Results		
Amortization	1,579	935
Unearned Revenue recognized as Revenue	(39,419)	(32,935)
	(110,307)	(122,199)
Decrease (Increase) in Accounts Receivable	7,443	(7,838)
Increase in Accounts Payable and Accrued Liabilities	1,439	582
Unearned Revenue received/receivable	33,338	33,864
Cash Applied to Operating Transactions	(68,087)	(95,591)
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,085)	(1,343)
Cash Applied to Capital Transactions	(2,085)	(1,343)
Financing Transactions		
Net Financing Provided from General Revenues	70,167	96,939
(Decrease) Increase in Cash	(5)	5
Cash at Beginning of Year	5	-
Cash at End of Year	-	\$ 5

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Jobs, Skills, Training, and Labour operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The Ministry of Jobs, Skills, Training and Labour provides supports to meet the needs of both employees and employers. Work focuses on building skilled workforce for the jobs of today as well as tomorrow, and maintaining safe, fair and healthy workplaces.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Ministry of Jobs, Skills, Training and Labour for which the Minister of Jobs, Skills, Training and Labour is accountable. The other entity reporting to the minister is the Workers' Compensation Board (WCB). The activities of the WCB are not included in these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net financing provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(b) Basis of Financial Reporting (continued)

Government transfers

Transfers from the Government of Alberta, Federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms of the transfer, or the stipulations together with the ministry's actions and communications as to the use of transfers create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the ministry is eligible to receive the funds.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual Credit or Recovery amounts exceed budget, the ministry may, with the approval of Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the ministry's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(b) Basis of Financial Reporting (continued)

Directly Incurred (continued)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others

Services contributed by other entities in support of the ministry's operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Cash and Cash Equivalents

Cash includes deposits in the Consolidated Cash Control Account of the Province of Alberta. Interest on these deposits does not accrue to the ministry.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)**

(b) Basis of Financial Reporting (continued)

Assets acquired by right are not included. Tangible capital assets of the ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets.

The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets are gifted or sold for a nominal sum, the net book value of these physical capital assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Accounts Receivable, and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES
(continued)

(b) Basis of Financial Reporting (continued)

Net Liabilities

Net Liabilities represent the difference between the carrying value of assets held by the ministry and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

NOTE 3 GOVERNMENT REORGANIZATION
(in thousands)

The Ministry of Jobs, Skills, Training and Labour was established as a result of restructuring of government ministries announced on December 6, 2013. Comparatives for 2013 have been restated as if the ministry had always been assigned with its current responsibilities. Net liabilities on March 31, 2012 are made up as follows:

Net Assets (Liabilities) as previously reported	\$	-
Net Liabilities transferred from Ministry of Human Services		(7,647)
Net Liabilities transferred from Ministry of Innovation and Advanced Education		<u>(968)</u>
Net Liabilities at March 31, 2012	\$	<u>(8,615)</u>

NOTE 4 ACCOUNTS RECEIVABLE
(in thousands)

	2014			2013
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated Note 3)
Accounts Receivable	\$ 5,517	\$ -	\$ 5,517	\$ 12,960
	\$ 5,517	\$ -	\$ 5,517	\$ 12,960

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 TANGIBLE CAPITAL ASSETS
(in thousands)

	Equipment ⁽¹⁾	Computer Hardware and Software	Total
Estimated Useful Life	5 – 10 years	5 - 10 years	
Historical Costs⁽²⁾			
Beginning of Year	\$ 20	\$ 10,044	\$ 10,064
Additions	114	1,971	2,085
Transfers			
Disposals, including write-downs	-	(720)	(720)
	<u>\$ 134</u>	<u>\$ 11,295</u>	<u>\$ 11,429</u>
Accumulated Amortization			
Beginning of Year	\$ 7	\$ 4,712	\$ 4,719
Amortization Expense	9	1,570	1,579
Effect of Disposals	-	(720)	(720)
	<u>16</u>	<u>5,562</u>	<u>5,578</u>
Net Book Value at March 31, 2014	<u>\$ 118</u>	<u>\$ 5,733</u>	<u>\$ 5,851</u>
Net Book Value at March 31, 2013 (Restated Note 3)	<u>\$ 13</u>	<u>\$ 5,332</u>	<u>\$ 5,345</u>

⁽¹⁾ Equipment includes office equipment and furniture.

⁽²⁾ Historical cost includes work-in-progress at March 31, 2014 totalling \$1,827 (2013: \$2,003) comprised of: computer hardware and software.

NOTE 6 DEFERRED REVENUE
(in thousands)

Unearned Revenue	2014	2013 (Restated Note 3)
Balance, beginning of year	\$ 10,088	\$ 9,159
Received/receivable during year	33,338	33,864
Less amounts recognized as revenue	(39,419)	(32,935)
Balance, end of year	<u>\$ 4,007</u>	<u>\$ 10,088</u>

NOTE 7 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of the contract or agreement are met.

The ministry contracts with organizations to provide specific programs and services when needed. As at March 31, 2014, the ministry had the following contractual obligations:

	2014	2013 (Restated Note 3)
Obligations under Operating Leases, Contracts and Programs	\$ 6,863	\$ 6,588

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations under Operating Leases, Contracts and Programs

	Total
2014 - 15	\$ 4,802
2015 - 16	437
2016 - 17	406
2017 - 18	406
2018 - 19	406
Thereafter	406
	<u>\$ 6,863</u>

NOTE 8 CONTINGENT LIABILITIES
(in thousands)

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The ministry has been named in 2 (2013: 3) claims of which the outcome is not determinable. Of these claims, 2 (2013: 3) have specified amounts totalling \$782 (2013: \$1,177). Included in the total claims, one claim totalling \$777 (2013: 2 claims totalling \$1,172) are covered in whole by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose described below, it is not included in the ministry's financial statements.

At March 31, 2014 the trust funds under administration are as follows:

	2014	2013 (Restated Note 3)
Employment Standards Trust Fund	\$ 1,044	\$ 1,210

NOTE 10 BENEFIT PLANS

(in thousands)

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$8,024 for the year ended March 31, 2014 (2013 - \$7,022). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2013, the Management Employees Pension Plan reported a surplus of \$50,457 (2012 – deficiency \$303,423), the Public Service Pension Plan reported a deficiency of \$1,254,678 (2012 - deficiency \$1,645,141), and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$12,384 (2012 – deficiency \$51,870).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2014, the Bargaining Unit Plan reported an actuarial surplus of \$75,200 (2013 – surplus \$51,717) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$24,055 (2013 – surplus \$18,327). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Revenues
Year ended March 31, 2014

Schedule 1

	2014		2013
	Budget	Actual	Actual (Restated Note 3)
	(in thousands)		
Government Transfers			
Labour Market Agreement	\$ 5,393	\$ 5,393	\$ 7,641
Labour Market Development Agreement	946	1,754	1,309
Other Transfers			628
	6,339	7,147	9,578
Premiums, Fees and Licenses	585	615	839
Other Revenue			
Refunds of Expenditures	-	5,727	110
Appeals Commission	10,558	10,437	10,279
Medical Panels for Alberta Workers'			
Compensation Appeals	315	293	283
Occupational Health and Safety Transfer	39,592	39,045	30,700
Other	-	90	55
	50,465	55,592	41,427
Total Revenues	\$ 57,389	\$ 63,354	\$ 51,844

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Credit or Recovery
Year ended March 31, 2014

Schedule 2

	2014				
	Authorized ⁽¹⁾	Actual Revenue Recognized (in thousands)	Deferred Revenue	Actual Cash/ Donation Received/ Receivable	(Shortfall)/ Excess
Occupational Health and Safety	\$ 37,652	\$ 36,960	\$ (6,376)	\$ 30,584	\$ (692)
International Educational Assessment Services	525	374	295	669	(151)
	38,177	37,334	(6,081)	31,253	(843)
Occupational Health and Safety Capital	1,940	2,085	-	2,085	145
	1,940	2,085	-	2,085	145 ⁽²⁾
	<u>\$ 40,117</u>	<u>\$ 39,419</u>	<u>\$ (6,081)</u>	<u>\$ 33,338</u>	<u>\$ (698)</u>

⁽¹⁾The authorized budget for credits or recovery includes adjustments presented in Schedule 4. Only expenditures are authorized.

⁽²⁾Shortfall is deducted from current year's authorized spending, as disclosed in Schedule 4 to the financial statements.

Occupational Health and Safety recovery, under the agreement with the Workers' Compensation Board (WCB), is for the purpose of defraying part of the costs of administering the Occupational Health and Safety Act.

International Educational Assessment Services is fees collected for the provision of international educational assessment services for immigrants seeking employment and/or education in Alberta.

Occupational Health and Safety Capital is funded for the development of the Ticketing and Administrative Penalties system, under the agreement with the WCB.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object
Year ended March 31, 2014

Schedule 3

	2014		2013
	Constructed Budget	Actual	Actual (Restated Note 3)
	(in thousands)		
Salaries, Wages and Employee Benefits	\$ 74,306	\$ 71,551	\$ 65,528
Supplies and Services	54,282	21,206	23,548
Supplies and Services from Support Arrangements with Related Parties ^(a)	-	74	152
Grants	11,645	41,411	51,880
Amortization of Tangible Capital Assets	100	1,579	935
Total Expenses	\$ 140,333	\$ 135,821	\$ 142,043

(a) The ministry receives financial and administrative services from the Ministry of Education.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Lapse/Encumbrance
Year ended March 31, 2014

Schedule 4

Program - Operational

1 Ministry Support Services

- 1.1 Minister's Office
- 1.2 Deputy Minister's Office
- 1.3 Human Resources
- 1.4 Corporate Services
- 1.5 Communications

2 Workforce Strategies

- 2.1 Program Support
- 2.2 Learning Information
- 2.3 Settlement and Integration
- 2.4 Business and Industry Partnerships
- 2.5 Aboriginal Development Partnership
- 2.6 Policy and Labour Market Information
- 2.7 Labour Attraction and Retention
- 2.8 Labour Qualifications and Mobility

Voted Estimate ⁽¹⁾	Adjust- ments ⁽²⁾	Adjusted Voted Estimate	Voted Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
(in thousands)				
\$ -	\$ -	\$ -	\$ 231	\$ (231)
-	-	-	107	(107)
617	-	617	531	86
1,051	-	1,051	1,251	(200)
87	-	87	111	(24)
1,755	-	1,755	2,231	(476)
3,918	-	3,918	3,471	447
2,479	-	2,479	2,294	185
8,737	-	8,737	8,690	47
2,787	-	2,787	2,385	402
3,444	-	3,444	4,058	(614)
4,396	-	4,396	4,787	(391)
38,689	-	38,689	34,143	4,546
4,930	-	4,930	5,052	(122)
69,380	-	69,380	64,880	4,500

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Lapse/Encumbrance
Year ended March 31, 2014

Schedule 4 (Continued)

	Voted Estimate ⁽¹⁾	Adjust- ments ⁽²⁾	Adjusted Voted Estimate	Voted Actuals ⁽³⁾	Unexpended (Over Expended) ⁽⁴⁾
	(in thousands)				
3 Safe, Fair & Healthy Workplaces					
3.1 Program Support	750	-	750	646	104
3.2 Medical Panels for Alberta Workers' Compensation	315	-	315	293	22
3.3 Labour Relations	1,917	-	1,917	1,961	(44)
3.4 Occupational Health and Safety	38,692	(1,040)	37,652	36,960	692
3.5 Employment Standards	13,704	-	13,704	13,045	659
	55,378	(1,040)	54,338	52,905	1,433
4 Labour Relations Board	3,162	-	3,162	3,139	23
5 Appeals Commission for Alberta Workers' Compensation	10,558	-	10,558	10,574	(16)
Total	\$ 140,233	\$ (1,040)	\$ 139,193	\$ 133,729	\$ 5,464
Lapse/(Encumbrance)					\$ 5,464
Program - Capital					
3 Safe, Fair & Healthy Workplaces	900	1,040	1,940	2,085	(145)
Total	\$ 900	\$ 1,040	\$ 1,940	\$ 2,085	\$ (145)
Lapse/(Encumbrance)					\$ (145)

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Lapse/Encumbrance
Year ended March 31, 2014

Schedule 4 (Continued)

- ⁽¹⁾ The 2013-14 Voted Estimate was revised as a result of government re-organization (Orders in Council 409/2013, 11/2014, 35/2014).
- ⁽²⁾ Adjustments include encumbrances, capital carry forward amounts and credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. An encumbrance is incurred when, on a vote by vote basis, the total of actual disbursements in the prior year exceed the total adjusted estimate. All calculated encumbrances from the prior year are reflected as an adjustment to reduce the corresponding Voted Estimate in the current year.
- ⁽³⁾ Actuals exclude non-voted amounts such as amortization and valuation adjustments, in the amount of \$2,092.
- ⁽⁴⁾ Unexpended amount includes dedicated revenue lapsed funds of \$843 for Occupational Health and Safety and International Educational Assessment Services programs.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Lottery Fund Estimates
Year ended March 31, 2014

Schedule 5

	2013-14 Lottery Fund Estimates	2013-14 Actual	Unexpended (Over Expended)
	(in thousands)		
Settlement and Integration	\$ 4,574	\$ 4,574	\$ -

The revenue of the Lottery Fund was transferred to the Department of Treasury Board and Finance on behalf of the General Revenue Fund in 2012-13. Having been transferred to the General Revenue Fund, these monies then become part of the ministry's supply vote. This table shows details of the initiatives within the ministry that are funded by the Lottery Fund and compares it to the actual results.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Department
Year ended March 31, 2014

Schedule 6(a)

	2014				2013 (Note 3 Restated)
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
	(in thousands)				
Senior Official					
Deputy Minister ⁽⁴⁾⁽⁵⁾	\$ 53	\$ 2	\$ 19	\$ 74	\$ -
Executives					
Safe, Fair, Healthy Workplaces ⁽⁶⁾	174	2	49	225	218
Workforce Strategies ⁽⁷⁾	180	2	50	232	235
Senior Financial Officer ⁽⁸⁾	28	2	9	39	-

⁽¹⁾ Base salary includes pensionable base pay.

⁽²⁾ Other cash benefits include vacation payouts, lump sum, and other payments. There were no bonuses paid in 2014.

⁽³⁾ Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

⁽⁴⁾ Automobile provided, no dollar amount included in other non-cash benefits.

⁽⁵⁾ The position was created on December 18, 2013.

⁽⁶⁾ The position was occupied by 3 individuals during the year.

⁽⁷⁾ The position was occupied by 2 individuals during the year.

⁽⁸⁾ The position was created on January 27, 2014.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Salary and Benefits Disclosure - Labour Relations Board
Year ended March 31, 2014

Schedule 6(b)

	2014				2013
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
	(in thousands)				
Senior Official					
Chair ⁽⁴⁾⁽⁵⁾	\$ 263	\$ 2	\$ 11	\$ 276	\$ 272
Executives					
Vice Chair ⁽⁵⁾	162	31	4	197	201
Vice Chair	163	2	45	210	206
Vice Chair ⁽⁷⁾	51	2	15	68	-
Vice Chair ⁽⁵⁾⁽⁶⁾	32	1	2	35	114
Executive Director	139	2	38	179	194

⁽¹⁾ Base salary includes pensionable base pay.

⁽²⁾ Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2014.

⁽³⁾ Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

⁽⁴⁾ Automobile provided, no dollar amount included in other non-cash benefits.

⁽⁵⁾ Salary includes pay in lieu of benefits

⁽⁶⁾ This position was occupied part time and the term ended on July 31, 2013

⁽⁷⁾ This position was created on December 9, 2013

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR

SCHEDULE TO FINANCIAL STATEMENTS

Salary and Benefits Disclosure - Appeals Commission for Alberta Workers' Compensation

Year ended March 31, 2014

Schedule 6(c)

	2014				2013
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
(in thousands)					
Senior Official					
Chief Appeals Commissioner ⁽⁴⁾	\$ 239	\$ 2	\$ 7	\$ 248	\$ 293
Full Time Appeals Commissioners ⁽⁵⁾	2,935	33	602	3,570	3,245
Temporary Appeals Commissioners	1,111	-	-	1,111	1,368

⁽¹⁾ Base salary includes pensionable base pay.

⁽²⁾ Other cash benefits include vacation payouts and lump sum payments.

⁽³⁾ Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

⁽⁴⁾ Automobile provided, no dollar amount included in other non-cash benefits.

⁽⁵⁾ Commissioners consist of twenty-one full time individuals.

**MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS**

Related Party Transactions

Year ended March 31, 2014

(in thousands)

Schedule 7

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the department.

The ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2014	2013 (Restated Note 3)
Expenses - Directly Incurred		
Grants		
Ministry of Health	\$ 2,680	\$ 414
Ministry of Innovation and Advanced Education	18,620	24,396
Ministry of Education	62	375
Other Services		
Ministry of Service Alberta	411	343
Ministry of Infrastructure	2	882
Ministry of Health	1	-
Ministry of Treasury Board and Finance	130	134
Ministry of Innovation and Advanced Education	156	147
Ministry of Education	82	16
	\$ 22,144	\$ 26,707
Net Receivable (Payable)		
Ministry of Innovation and Advanced Education	\$ (298)	\$ (1,047)
Ministry of Human Services	2,333	-
	\$ 2,035	\$ (1,047)
Contractual Obligations		
Ministry of Innovation and Advanced Education	\$ 53	\$ 150

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2014
 (in thousands)

Schedule 7 (Continued)

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8

	Other Entities	
	2014	2013 (Restated Note 3)
Expenses - Incurred by Others		
Accommodation	\$ 1,333	\$ 6,859
Legal Services	895	512
Other Services	671	1,069
	\$ 2,899	\$ 8,440

MINISTRY OF JOBS, SKILLS, TRAINING AND LABOUR
SCHEDULE OF FINANCIAL STATEMENTS
Allocated Costs
Year ended March 31, 2014
(in thousands)

Schedule 8

2013
(Restated
Note 3)

Program	2014					(Audited Note 3)
	Expenses - Incurred by Others					
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Other Services ⁽⁴⁾	Total Expenses	Total Expenses
Ministry Support Services	\$ 2,744	\$ 31	\$ 252	\$ 16	\$ 3,043	\$ 1,552
Workforce Strategies	65,891	423	-	213	66,527	82,946
Safe, Fair & Healthy Workplaces	53,098	709	643	356	54,806	51,855
Labour Relations Board	3,139	46	-	23	3,208	3,498
Appeals Commission for Alberta Workers' Compensation	10,949	124	-	63	-	-
	\$ 135,821	\$ 1,333	\$ 895	\$ 671	\$ 138,720	\$ 150,483

(1) Expenses - Directly Incurred as per the Statement of Operations.

(2) Accommodation costs (includes grants in lieu of taxes), which were paid by the Ministry of Infrastructure represent the Ministry's building costs allocated by the number of employees per program.

(3) Costs for Legal Services, which were paid by the Ministry of Justice and Solicitor General, are based on specific amounts for each program.

(4) Other Services represents services provided by Ministry of Treasury Board and Finance, Service Alberta, Executive Council for which no consideration was exchanged. Costs were allocated by the number of ministry employees per program.

WCB-Alberta

Consolidated Financial Statements and Notes

For the year ended December 31, 2013

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71 17. Related Party Transactions

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74 19. Supplemental Information

Responsibility for Financial Reporting

The consolidated financial statements of the Workers' Compensation Board - Alberta were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with International Financial Reporting Standards.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The effectiveness of controls over financial reporting was assessed and found to provide reasonable assurance that internal controls at December 31, 2013 operated effectively with no material weaknesses in the design or operation of the controls.

The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the consolidated financial statements included in the annual report.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the consolidated financial statements and meets periodically with management, internal and external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

Eckler Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent actuarial valuation of the claim benefit liabilities included in the consolidated financial statements of the WCB and to report thereon in accordance with generally accepted actuarial practice.

The Office of the Auditor General, the independent auditor of the WCB, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Independent Auditor's Report outlines the scope of this independent audit and the opinion expressed.

[Original signed by]

Bob Normand
Chair, Board of Directors
Workers' Compensation Board - Alberta

[Original signed by]

Guy R. Kerr
President & Chief Executive Officer
Workers' Compensation Board - Alberta

[Original signed by]

Ron J. Helmhold
Chief Financial Officer
Workers' Compensation Board - Alberta

Independent Auditor's Report



To the Board of Directors of the Workers' Compensation Board – Alberta

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Workers' Compensation Board–Alberta, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of comprehensive income, changes in funded position and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board–Alberta as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

April 29, 2014
Edmonton, Alberta

Actuarial Statement of Opinion

on the Valuation of the Benefits Liabilities of
the Workers' Compensation Board – Alberta
as at December 31, 2013

I have completed the actuarial valuation of the benefit liabilities of the Workers' Compensation Board – Alberta (WCB) for the consolidated financial statements of the WCB as at December 31, 2013 (the "valuation date").

In my opinion, the actuarial liabilities of \$6,320.7 million make reasonable provision for future payments for short term disability, vocational rehabilitation, long term disability, survivor and health care benefits with respect to claims which occurred on or before the valuation date, and for all occupational disease claims expected to arise after the valuation date as a result of exposures incurred in the workplace on or before the valuation date in respect of occupational diseases with a long latency period that are recognized by the WCB. This amount provides for future claim administration costs, but does not include a provision for benefits and payments that are on a self-insured basis.

The valuation was based on the provisions of the *Workers' Compensation Act* of Alberta and on the WCB's policies and administrative practices in effect at the time of the valuation.

The data on which the valuation is based were provided by the WCB; I applied such checks of reasonableness of the data as I considered appropriate, and have concluded that the data are sufficiently reliable to permit a realistic valuation of the liabilities and that the data are consistent with WCB's consolidated financial statements. In my opinion, the data on which the valuation is based are sufficient and reliable for the purpose of the valuation.

The economic assumptions adopted for purposes of computing the liabilities are consistent with the WCB's funding and investment policies. For this valuation, an annual real rate of return of 2.00% for 2014 to 2016 and 3% thereafter was used to discount expected payments subject to inflation. Other economic assumptions underlying the calculations include annual changes in the Consumer Price Index (CPI) of 2.50%, increase for benefits subject to cost of living adjustments at CPI minus 0.50%, as well as health care costs and vocational rehabilitation benefits assumed to grow at annual rates of 5.00% and 3.50% respectively. In my opinion, the assumptions are appropriate for the purpose of the valuation.

The methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. Projections of future claim payments and awards have been made using factors developed from the WCB's claims experience, mortality and other assumptions. In my opinion, the methods employed in the valuation are appropriate for the purpose of the valuation.

Changes to the actuarial basis (i.e. actuarial methods and assumptions) caused liabilities to decrease by \$81.1 million. Changes to assumptions for valuing economic loss payments represented a decrease of \$18.7 million, cost factor curve changes for third party recoveries represented a decrease of \$14.5 million and calculation refinements decreased liabilities by \$47.9 million. Details of the data, actuarial assumptions, valuation methods and analysis of results are set out in my actuarial report as at the valuation date, of which this statement of opinion forms part.

In my opinion, the amount of the benefit liabilities makes appropriate provision for all personal injury compensation obligations and the consolidated financial statements fairly represent the results of the valuation. This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.

[Original signed by]

Richard Larouche, FSA, FRIA
Actuary
Eckler Ltd.
April 28, 2014

Workers' Compensation Board – Alberta

Consolidated Statements of Financial Position

As at December 31

(\$ thousands)	Notes	2013	2012
ASSETS			
Cash and cash equivalents	19(a)	\$ 510,303	\$ 215,908
Trade and other receivables	19(b)	93,281	91,491
Investments	5	8,871,456	8,174,948
Property, plant and equipment	7	48,466	47,961
Intangible assets	8	22,738	22,370
		<u>\$ 9,546,244</u>	<u>\$ 8,552,678</u>
LIABILITIES			
Trade and other liabilities	19(c)	\$ 65,516	\$ 65,695
Surplus distributions	19(d)	524,478	85,733
Safety rebates	19(e)	96,988	90,339
Employee benefits	10	102,674	154,002
Claim benefits	11	6,320,700	6,175,500
		<u>7,110,356</u>	<u>6,571,269</u>
FUNDED POSITION			
Fund Balance	4	2,056,688	1,610,909
Occupational Disease Reserve	4	379,200	370,500
		<u>2,435,888</u>	<u>1,981,409</u>
		<u>\$ 9,546,244</u>	<u>\$ 8,552,678</u>
LEASE AND OTHER COMMITMENTS	9		
CONTINGENCIES AND INDEMNIFICATION	18		

Approved by the Board of Directors on April 29, 2014:

[Original signed by]

Bob Normand

Chair, Board of Directors
Workers' Compensation Board – Alberta

[Original signed by]

Guy R. Kerr

President & Chief Executive Officer
Workers' Compensation Board – Alberta

The accompanying notes are an integral part of these consolidated financial statements.

Workers' Compensation Board – Alberta

Consolidated Statements of Comprehensive Income

Year Ended December 31

		2013		2012
(\$ thousands)	Notes	Budget	Actual	Actual
REVENUE				
Premium revenue	13	\$ 1,074,227	\$ 1,130,178	\$ 1,157,220
Investment income	16	411,885	918,850	782,057
		<u>1,486,112</u>	<u>2,049,028</u>	<u>1,939,277</u>
EXPENSES				
Claims expense	14	801,130	776,717	738,961
Claims management	14, 15	108,796	106,146	103,713
Interest expense on claim benefit liabilities	11	273,000	267,900	242,500
Remeasurement of claim benefit liabilities	11	(45,000)	(204,603)	236,461
Corporate administration	15	86,467	83,915	82,190
Injury reduction	19(f)	57,453	57,784	46,768
Investment management expense	16	31,273	33,156	29,425
Interest on employee benefit liabilities	10	6,340	6,450	5,377
		<u>1,319,459</u>	<u>1,127,465</u>	<u>1,485,395</u>
OPERATING SURPLUS				
Funding policy surplus distributions	4, 19(d)	166,653	921,563	453,882
		<u>-</u>	<u>(524,098)</u>	<u>(84,841)</u>
NET FUNDING SURPLUS				
		166,653	397,465	369,041
OTHER COMPREHENSIVE GAIN (LOSS)				
Remeasurement of employee benefit liabilities	10	-	57,014	(42,719)
TOTAL COMPREHENSIVE INCOME				
		<u>\$ 166,653</u>	<u>\$ 454,479</u>	<u>\$ 326,322</u>

The accompanying notes are an integral part of these consolidated financial statements.

Workers' Compensation Board – Alberta

Consolidated Statements of Changes in Funded Position

As at December 31

(\$ thousands)

	Notes	2013	2012
FUND BALANCE			
Accumulated surplus			
Balance, beginning of year		\$ 1,694,295	\$ 1,358,054
Net funding surplus		397,465	369,041
Transfer to Occupational Disease Reserve		(8,700)	(32,800)
		<u>2,083,060</u>	<u>1,694,295</u>
Accumulated other comprehensive loss			
Balance, beginning of year		(83,386)	(40,667)
Other comprehensive gain (loss)		57,014	(42,719)
		<u>(26,372)</u>	<u>(83,386)</u>
Fund Balance, end of year		<u>2,056,688</u>	<u>1,610,909</u>
OCCUPATIONAL DISEASE RESERVE	4		
Balance, beginning of year		370,500	337,700
Transfer from Fund Balance		8,700	32,800
		<u>379,200</u>	<u>370,500</u>
Occupational Disease Reserve, end of year		<u>379,200</u>	<u>370,500</u>
		<u>\$ 2,435,888</u>	<u>\$ 1,981,409</u>

The accompanying notes are an integral part of these consolidated financial statements.

Workers' Compensation Board – Alberta

Consolidated Statements of Cash Flows

Year Ended December 31

(\$ thousands)

OPERATING ACTIVITIES

Cash inflows (outflows) from business operations

Employer premiums	\$ 1,150,022	\$ 1,174,254
Benefits to claimants and/or third parties on their behalf	(684,051)	(655,870)
Administrative and other goods and services	(205,642)	(206,049)
Injury reduction program	(57,784)	(46,768)

Net cash from operating activities

202,545 265,567

INVESTING ACTIVITIES

Cash inflows (outflows) related to investment assets

Interest income	119,779	84,442
Dividend income	81,109	47,474
Other investment income	37,168	30,674
Gains on sale of investments	278,546	146,980
Proceeds (payments) on settlement of derivatives	(85,578)	38,097
Investment management expense	(28,239)	(23,539)
Sale (purchase) of investments at cost	200,036	(389,358)
Purchase of investments from reinvested income	(412,517)	(339,464)

Cash outflows related to operating assets

Property, plant and equipment	(6,286)	(7,150)
Computer software	(6,815)	(6,363)

Net cash from investing activities

177,203 (418,207)

FUNDING ACTIVITIES

Cash outflows from funding activities

Surplus distributions	(85,353)	-
-----------------------	----------	---

Net cash used for funding activities

(85,353) -

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

294,395 (152,640)

Cash and cash equivalents, beginning of year

215,908 368,548

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 510,303 \$ 215,908

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 with comparatives for the year ended December 31, 2012
(thousands of dollars unless stated otherwise)

1. REPORTING ENTITY

The Workers' Compensation Board – Alberta (WCB) is a provincial board created by legislation in 1918. As a statutory corporation, WCB administers the workers' compensation system for the province of Alberta under the authority of the *Workers' Compensation Act* (the Act). WCB's corporate head office is located in Edmonton, Alberta, with operations exclusively within the province of Alberta. WCB's legislated mandate is to provide disability benefits to workers who sustain injuries in the course of employment.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied in the preparation of the consolidated financial statements for all years presented, unless otherwise indicated.

GENERAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They comply, in all material respects, with IFRS as issued by the International Accounting Standards Board (IASB) in effect as at December 31, 2013.

These consolidated financial statements have been prepared on an historic cost basis except for investments reported at fair value. The principal accounting policies applied in the preparation of the consolidated financial statements on an IFRS basis are set out below.

Basis of consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of WCB and all of its subsidiaries, after the elimination of intercompany transactions and balances. Subsidiaries are defined as entities controlled by WCB in which WCB is the beneficial owner.

WCB holds 100 per cent of the voting interest in the following subsidiaries, both Alberta registered corporations:

- **WCB Real Assets Ltd.** – holds portfolio investments in infrastructure, and timberlands
- **WCB Global Real Assets Ltd.** – holds portfolio investments in commercial real estate

In the context of structured entities, WCB has concluded that it does not control its structured entities, and the substance of WCB's interests is that they are only passive portfolio investments. For further details, see the table describing interests in unconsolidated structured entities at the end of Note 5 *Investments*.

Foreign currency translation

WCB's consolidated financial statements are presented in Canadian dollars, which is also the functional currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the date of the consolidated statement of financial position. Exchange differences arising from settlement of monetary items are included in income in the period in which they arise. Non-monetary assets and liabilities denominated in foreign currency are translated at the exchange rate in effect when those transactions occurred.

Measurement uncertainty and use of accounting estimates

The preparation of consolidated financial statements in accordance with IFRS requires the use of estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting periods presented. Some accounting measurements require management's best estimates, based on assumptions as at the financial statement date, that reflect the most probable set of economic conditions and planned courses of action. Employee benefit liabilities (Note 10), claim benefit liabilities (Note 11), and the Partnerships in Injury Reduction rebates accrual (Note 13) are the most significant items that are based on accounting estimates. Actual results could differ from the estimates determined by management in these consolidated financial statements. These differences, which may be material, could require adjustment in subsequent reporting periods.

Financial statement presentation

WCB presents its consolidated statement of financial position in order of liquidity. The consolidated statement of comprehensive income reports operating results arising from WCB's primary activities: core business operations including risk underwriting, premium assessment and collection, benefit processing, injury treatment and vocational rehabilitation, and financial management including investment portfolio management and claim benefit liability valuation. Administration expense is presented in the consolidated statement of comprehensive income by function. Other comprehensive loss consists primarily of net changes in remeasurement of post-employment defined benefit plan liabilities.

In addition to performance reporting, the consolidated statement of comprehensive income also reports funding actions arising from the application of Funding Policy. Such actions include appropriations of excess surplus for distribution back to employers, or collection of special levies required to replenish funding deficits, as prescribed by Funding Policy established by the Board of Directors.

Cash equivalents

Cash equivalents include short-term, liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash and short-term investments held by custodians are not available for general use, and accordingly are included in investments.

Finance expense

Finance expense comprises primarily recognition of interest (i.e., time value of money) inherent in discounted liabilities. Significant discounted liabilities include claim benefit liabilities, employee benefit plans and lease obligations.

Comparative figures

Certain comparative figures have been restated and/or reclassified where required to conform to the current year's accounting treatment.

SPECIFIC ACCOUNTING POLICIES

To facilitate a better understanding of WCB's consolidated financial statements, specific accounting policies are disclosed in the related notes:

Note	Topic	Page
5	Investments	49
7	Property, plant and equipment	56
8	Intangible assets	58
9	Lease and other commitments	59
10	Employee benefits	60
11	Claim benefit liabilities	63
13	Premium revenue	67
16	Investment income and expense	70

3. ACCOUNTING POLICY CHANGES

STANDARDS EFFECTIVE IN THE CURRENT YEAR

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

Effective January 1, 2013, WCB adopted IFRS 10, IFRS 11 and IFRS 12 concurrently as prescribed.

IFRS 10 establishes a single definition of control as the basis of consolidation, based on a reporting entity having power, rights, or exposure to variable returns, and the ability to use such power to affect its returns from the investee. This new standard applies to WCB's wholly owned investment subsidiaries, and structured portfolio investments.

IFRS 11 applies to joint arrangements which include joint operations and joint ventures. WCB is not currently involved in joint arrangements.

IFRS 12 prescribes new and expanded disclosures, both quantitative and narrative, relating to WCB's involvement with other entities, in order to facilitate better understanding of the economic relationships with other entities.

IFRS 13 Fair Value Measurement

Effective January 1, 2013, WCB adopted IFRS 13 *Fair Value Measurement* that prescribes additional disclosures on the use of valuation techniques and unobservable inputs used in fair value measurements.

Amendments to IFRS 7 Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities

Effective January 1, 2013, WCB adopted amended IFRS 7 that requires additional disclosure of recognized financial instruments that are offset. The amendments prescribe separate disclosure for financial assets and financial liabilities, that are (i) offset in the statement of financial position or (ii) subject to master netting or similar arrangements irrespective of whether they are offset. WCB discloses financial assets and financial liabilities that have been offset in Note 6 *Investment Risk Management* in the subsection "Derivatives risk." These disclosures do not affect WCB's financial position or results of operations.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Amendments to IAS 32 Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB amended IAS 32 guidance to clarify when financial assets and financial liabilities may be offset. Since WCB does not hold material financial liabilities, the guidance will primarily affect WCB's derivative contracts and only when they result in material loss positions. These requirements, which are effective for reporting periods beginning on or after January 1, 2014, with earlier application permitted, are not expected to have a material impact on WCB's financial reporting.

4. FUNDING

ACCIDENT FUND

The Act stipulates the creation of an Accident Fund (the Fund) holding sufficient funds for the payment of present and future compensation. The Fund is fully funded when the total assets equal or exceed total liabilities. This Funded Position (or net assets) represents the current funding status of the Fund.

The Funded Position is maintained through two reserves within the Accident Fund: the Fund Balance and the Occupational Disease Reserve (ODR). The Fund Balance represents accumulated net operating surpluses retained against financial uncertainty. The ODR was established through an appropriation from the Fund Balance to provide for costs arising from latent occupational injury or disease where a causal link to the workplace has not been established, but may be established in the future. The ODR is maintained at six per cent of claim benefit liabilities in each year through a transfer from or to the Fund Balance.

FUNDING POLICY AND CAPITAL MANAGEMENT

Since the Act does not provide for an ownership-based capital structure, WCB views its available capital resources as synonymous with its Funded Position. The primary objective in managing the Funded Position is to mitigate the risk of being unfunded, while a secondary objective is to minimize premium rate volatility caused by investment and claim benefit liability risk. WCB manages the financial status of the Accident Fund by monitoring the Funded Position and making funding decisions in accordance with the Funding Policy.

The Funding Policy sets a target zone of 114-128 per cent for the Funded Ratio (total assets divided by total liabilities) to guide funding decisions. When the Funded Ratio falls below the target zone, special funding requirements are included in premium rates. When the Funded Ratio is above the target zone, surplus distributions may be paid. There were no changes to the described Funding Policy or capital management practices during the year.

(\$ thousands)

Accident Fund

Total assets
Less:
Total liabilities
Funded Position
Funded Ratio

2013	2012
\$ 9,546,244	\$ 8,552,678
7,110,356	6,571,269
\$ 2,435,888	\$ 1,981,409
134.3%	130.2%

5. INVESTMENTS

ACCOUNTING POLICY

WCB elected early adoption of IFRS 9 *Financial Instruments: Classification and Measurement* as at the date of transition to IFRS.

WCB's portfolio investments are designated at fair value through income and are managed in accordance with portfolio management objectives and Investment Policy. WCB utilizes trade-date accounting (date when transactions are entered into rather than when they are settled) for all purchases and sales of financial instruments.

Upon initial recognition, debt and equity securities are recognized at their settlement value (including transaction costs net of any premium or discount at date of purchase, if applicable). Subsequent fair value measurement changes are recognized in income in the period in which they arise.

Derivatives are initially recognized at fair value and subsequently remeasured at the financial statement date. All gains and losses resulting from remeasurement at fair value are recognized in investment income in the respective periods in which they arose.

Net cash, receivables, and payables held within the investment portfolio are carried at amortized cost.

Valuation of financial instruments

The fair value of financial instruments as at the reporting date is determined as follows:

Debt and equity securities

- Publicly traded securities are based on their closing bid prices or the average of the latest bid/ask prices quoted by independent securities valuation companies.
- Non-publicly traded pooled funds are valued at the net asset values of the funds, which reflect the fair values of fund assets less fund liabilities.
 - The fair value of infrastructure and real estate funds are based on independent annual appraisals, net of any liabilities against the fund assets.
 - The fair value of commercial mortgage funds is based on the market interest rate spread over Bank of Canada bonds with a similar term to maturity.

Derivative contracts

- Written forward foreign-exchange contracts are valued based on the change in the underlying exchange rate relative to the Canadian dollar.
- Tradable equity index futures, whose prices change according to the underlying market index, are valued based on exchange-listed prices.
- Bond futures, whose prices change according to the underlying bond price, are valued based on exchange-listed prices.

INVESTMENT PORTFOLIO HOLDINGS

WCB's portfolio investments are all classified at fair value through income. The table in this section presents the fair value of WCB's investments as at December 31, together with their classifications under the fair value measurement hierarchy. Note 16 *Investment Income and Expense* provides a breakdown of investment income by type.

Fair value classification hierarchy

The fair value of WCB's investments recorded on the consolidated statement of financial position was determined using one of the following valuation techniques:

- Level 1** The fair value is based on quoted prices in active markets for identical assets or liabilities. This level includes equity securities and derivative contracts that are traded in an active exchange market.
- Level 2** The fair value is based on inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs based on observable market data. Includes pooled funds invested in traded securities, as well as derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3** The fair value is based on unobservable inputs that are significant to the fair value of the assets or liabilities and have little or no market activity. This level includes financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. The most significant inputs affecting the fair value calculations include the projected operating and capital-related cash flows and the associated discount rate. The discount rate is responsive to changes in macroeconomic factors affecting the risk profile of invested assets such as demand, market conditions, financial risks, future inflation, and so on. This level includes pooled funds invested in debt securities, private equity, real estate and infrastructure.

The table below summarizes the basis of fair value measurements for financial assets held in WCB's investment portfolio:

(\$ thousands)	Fair value through income			Amortized		2013	2012
	Level 1	Level 2	Level 3	Fair Value	Cost ⁵		
Fixed income							
Nominal bonds	\$ 6,181	\$ 2,105,281	\$ 151,974	\$ 2,263,436	\$ 36,399	\$ 2,299,835	\$ 2,154,236
Mortgages ¹	-	-	529,715	529,715	-	529,715	484,776
	6,181	2,105,281	681,689	2,793,151	36,399	2,829,550	2,639,012
Equities							
Domestic	636,081	288,638	-	924,719	4,083	928,802	805,093
Foreign ²	1,416,881	988,069	-	2,404,950	29,827	2,434,777	2,322,226
	2,052,962	1,276,707	-	3,329,669	33,910	3,363,579	3,127,319
Inflation-sensitive							
Real estate ³	209,659	4,382	1,098,465	1,312,506	811	1,313,317	1,153,257
Infrastructure ⁴	297,107	-	417,699	714,806	4,198	719,004	699,467
Timberlands	-	-	75,295	75,295	-	75,295	-
Real-return bonds	-	596,256	-	596,256	2,272	598,528	571,011
	506,766	600,638	1,591,459	2,698,863	7,281	2,706,144	2,423,735
	2,565,909	3,982,626	2,273,148	8,821,683	77,590	8,899,273	8,190,066
Derivatives	-	(27,817)	-	(27,817)	-	(27,817)	(15,118)
	\$ 2,565,909	\$ 3,954,809	\$ 2,273,148	\$ 8,793,866	\$ 77,590	\$ 8,871,456	\$ 8,174,948

¹ Mortgages include commercial mortgages and multi-unit mortgages, but do not include single-dwelling residential mortgages.

² Foreign equities comprise U.S., EAFE (Europe, Australasia and Far East), and Emerging Market mandates.

³ Real estate investments include pooled funds invested in commercial properties.

⁴ Infrastructure consists of a pooled fund invested in infrastructure projects.

⁵ Includes portfolio cash, receivables and payables whose cost approximates fair value.

Transfers between Levels 1 and 2

There were no material transfers between Level 1 and Level 2 during 2013.

Reconciliation of Level 3 activity

(\$ thousands)	Fixed Income	Inflation-sensitive	2013	2012
Balance, beginning of year	\$ 632,397	\$ 1,331,184	\$ 1,963,581	\$ 1,488,130
Fair value gains recognized in income	17,551	144,106	161,657	166,421
Purchases of Level 3 investments	34,723	219,954	254,677	411,826
Sale/settlement of Level 3 investments	(2,982)	(103,785)	(106,767)	(102,796)
Balance, end of year	\$ 681,689	\$ 1,591,459	\$ 2,273,148	\$ 1,963,581

INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Through its investment program WCB is involved with structured entities, which comprise structured vehicles (e.g., limited partnerships and structured equity) invested in operating property assets, as well as pooled funds invested in financial instruments of property-based issuers. The following discusses some unique characteristics of such entities and the nature of the risks attached to them.

Relevant activities of the structured entities that affect returns include identification, selection and/or development, and operation of established properties with stable cash flows and strong capital appreciation potential. Development and execution of an exit strategy is another important activity.

Significant constraints are imposed on funds invested in structured entities, by virtue of their legal agreements, regulatory environment, and the nature and economics of the underlying assets. Once committed, an investor is expected to fund the entire subscribed amount over the term of the agreement, unless the investment agreement provides otherwise. Once invested, funds are no longer available to the investor, and withdrawal through sale or transfer of interests is permitted only after a certain period as stipulated in the agreement, which typically runs from five to ten years.

The primary risk to WCB relating to these structured entities is lack of liquidity due to the size of the positions and the limited number of qualifying investors; and, these entities are invested in specialized or long-term assets that are difficult to liquidate due to the nature of their markets. WCB is also exposed to market and operating risks based on the underlying assets held by these entities.

WCB's financial exposure is limited to the net carrying amount of the investment.

The following table provides information about WCB's interests in unconsolidated structured entities:

(\$ thousands)

Structured Entity Type by Mandate

Limited partnerships

Real estate
Infrastructure
Timberlands

Structured Equity

Real estate

Carrying Value	Undrawn Funding Commitments
\$ 120,854	\$ 115,185
227,442	410,802
75,295	224,705
423,591	750,692
459,532	-
\$ 883,123	\$ 750,692

6. INVESTMENT RISK MANAGEMENT

INVESTMENT GOVERNANCE

The Board of Directors is ultimately responsible for overall strategic direction and governance of the investment portfolio through its review and approval of the Investment Policy and ongoing monitoring of investment risks, performance, and compliance.

WCB management is responsible for monitoring investment performance, recommending changes to the Investment Policy, and selecting fund managers. WCB retains independent consultants to benchmark the performance of its fund managers, and to advise on the appropriateness and effectiveness of its Investment Policy and practices.

KEY FINANCIAL RISKS

The primary financial risk for WCB is the risk that, in the long term, returns from its investments will not be sufficient to discharge all obligations arising from its claim liabilities. In order to manage this funding risk, risk management for investments has been integrated with risk management of liabilities. WCB's primary risk mitigation strategy is effective execution of its Investment Policy. The Investment Policy target asset mix, and associated risk and return characteristics, have been established to provide guidelines for a broad investment strategy, as well as specific approaches to portfolio management. The Investment Policy also calls for maintaining a well-diversified portfolio, both across and within asset classes, and engaging fund managers who represent a broad range of investment philosophies and styles, operating within a rigorous compliance framework.

WCB has identified key areas of investment risk that directly affect the sufficiency of its investments to fund current and future claim obligations:

- Market risks** - These risks include movements in equity market prices, interest rates, credit spreads, and foreign currency exchange rates.
- Portfolio risks** - These risks relate to specific composition and management of WCB's portfolio and include liquidity risk, securities lending risk, counterparty default risk and derivatives risk.

The following sections describe these risks, WCB's exposures, and their respective mitigation strategies.

MARKET RISKS

Equity market risk

WCB is exposed to equity market risk, which is the risk that the fair value of its investments in publicly traded shares will fluctuate in the future because of price changes. WCB's mitigation strategy for equity market risk is to apply disciplined oversight of investment activities within a formal investment control framework that has been reviewed and validated by independent experts to ensure continuous compliance with approved policies and practices.

The table below presents the effect on WCB's equity mandates of a significant adverse change¹ in the key risk variable — the portfolio weighted average (asset class) benchmark:

(\$ thousands)	2013		2012	
	1 std dev	2 std dev	1 std dev	2 std dev
Equities				
% change in Canadian market benchmark	(11.9%)	(23.7%)	(15.9%)	(31.9%)
Canadian mandate	\$ (110,063)	\$ (220,126)	\$ (128,251)	\$ (256,503)
% change in Global market benchmark	(10.5%)	(21.1%)	(13.1%)	(26.1%)
Global mandate	\$ (206,918)	\$ (413,836)	\$ (252,866)	\$ (505,732)
% change in Emerging market benchmark	(17.2%)	(34.4%)	(22.5%)	(45.0%)
Emerging markets mandate	\$ (80,708)	\$ (161,415)	\$ (80,569)	\$ (161,139)

¹A change is considered to be material when it exceeds the standard deviation (std dev), which measures the variance in a normal probability distribution. One standard deviation covers 68 per cent of all probable outcomes; two standard deviations include 95 per cent of outcomes. The benchmark deviations are based on 2013 data.

Fixed income pricing risk

Fixed income pricing risk related to financial securities arises from changes in general financial market or economic conditions that may change the pricing of the entire non-government bond market, specific sectors, or individual issuers. This risk is generally manifested through changes in the security's credit spread. WCB's investment portfolio is exposed to fixed income pricing risk through participation in a Canadian mortgage pool and through direct holdings of Canadian and foreign fixed income securities.

The table below presents the effects of a change in the credit spreads of 50 and 100 bps¹ on the mortgage portfolio and non-government portion of the bond portfolio:

(\$ thousands)	2013		2012	
	+50 bp	+100 bp	+50 bp	+100 bp
Change in nominal interest rate				
Non-government bonds	\$ (20,082)	\$ (40,164)	\$ (23,204)	\$ (46,409)
Mortgages	\$ (9,800)	\$ (19,599)	\$ (8,726)	\$ (17,452)

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The table below presents the effects of a nominal interest rate change of 50 and 100 bps on the respective bond and mortgage portfolios:

(\$ thousands)	2013		2012	
	+50 bp	+100 bp	+50 bp	+100 bp
Change in nominal interest rate				
Nominal bonds	\$ (66,966)	\$ (133,931)	\$ (64,173)	\$ (128,347)
Real return bonds	\$ (47,703)	\$ (95,405)	\$ (46,766)	\$ (93,532)
Mortgages	\$ (9,800)	\$ (19,599)	\$ (8,726)	\$ (17,452)

Foreign currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates.

WCB is exposed to currency risk through foreign investments in fixed income, equities, and infrastructure. The exposures are hedged to the Canadian dollar by utilizing forward contracts. The target hedge ratio (percentage of the exposure hedged to Canadian dollars) varies by asset class and currency. The target for fixed income and infrastructure is 100 per cent. For foreign equities, the target is 25 per cent for the U.S. dollar and 50 per cent for other major currencies.

WCB's largest foreign currency exposure is to the U.S. dollar, with unhedged holdings of \$1,112,977 (2012 – \$1,068,259); euro exposure is next, with unhedged holdings of \$216,170 (2012 – \$278,251). For the current reporting period, the net loss from the currency overlay was \$43,745 (2012 – \$29,147 gain).

The table below presents the effects on the foreign equity mandate of a material change in the Canadian/U.S. dollar and Canadian/euro exchange rates:

(\$ thousands)	2013		2012	
	CAD/USD	CAD/EURO	CAD/USD	CAD/EURO
December 31 spot rate	0.9412	0.6830	1.0043	0.7618
10% appreciation in the Canadian dollar	1.0353	0.7513	1.1048	0.8379
Global mandate	\$ (101,179)	\$ (19,652)	\$ (97,115)	\$ (25,296)

¹One basis point (bp) equals 1/100 of 1 per cent; 50 bps = 50/100 of 1 per cent or 0.5 per cent.

PORTFOLIO RISKS

Derivatives risk

Although derivatives represent an important component of WCB's risk management strategy, the portfolio does not contain any derivatives intended for speculative or trading purposes. An example of derivatives used for risk mitigation is the currency overlay described in the currency risk section, which is a partial hedge of the currency exposure. From time to time, derivatives are also utilized as a portfolio management technique to replicate a target asset mix or achieve certain asset exposures when it is not possible or cost-effective to hold or sell securities directly.

The notional value of a derivative contract used in a hedging arrangement represents the exposure that is being hedged, and is the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Notional amounts are not indicative of the credit risk associated with such derivative contracts. WCB's credit exposure is represented by the replacement cost of all outstanding contracts in a receivable (positive fair value) position. Counterparty default risk with respect to derivative contracts is mitigated in accordance with investment guidelines on counterparty default risk.

The table below summarizes the fair value of WCB's derivative portfolio of open contract positions in segregated funds as at December 31. These derivative contracts fall within the scope of the new application guidance on offsetting. Derivative contracts in a gain position (financial assets) that have been offset against contracts in a loss position (financial liabilities) are presented with their remaining terms to maturity.

(\$ thousands)			2013			2012		
Asset Mandates	Term to Maturity		Notional Principal	Fair Value Asset	Fair Value Liability	Notional Principal	Fair Value Asset	Fair Value Liability
Asset replication contracts								
Equity index futures contracts	Global equities	Within 1 year	\$ -	\$ -	\$ -	\$ 338,704	\$ 1,219	\$ (4,157)
Bond futures contracts	Global fixed income	Within 1 year	178,194	1,177	(53)	265,304	165	(236)
			178,194	1,177	(53)	604,008	1,384	(4,393)
Foreign-exchange contracts								
Currency overlay forward contracts	Global equities	Within 1 year	1,311,031	9,485	(37,058)	1,145,516	11,099	(19,953)
Forward foreign-exchange contracts	Global equities/ fixed income	Within 1 year	762,727	6,933	(8,301)	879,056	6,387	(9,642)
			2,073,758	16,418	(45,359)	2,024,572	17,486	(29,595)
			\$ 2,251,952	\$ 17,595	\$ (45,412)	\$ 2,628,580	\$ 18,870	\$ (33,988)

WCB also has indirect exposure to derivatives risk through its pooled investments, but they do not contain any derivatives intended for speculative or trading purposes.

Liquidity risk

Liquidity risk stems from the lack of marketability of a security that cannot be bought or sold quickly enough to prevent or minimize a loss.

Through a proactive cash management process that entails continuous forecasting of expected cash flows, WCB mitigates liquidity risk by minimizing the need for forced liquidations of portfolio assets in volatile markets. To cover unanticipated cash requirements when market conditions are unfavourable, WCB has negotiated a standby line of credit of up to \$20 million, which has not been drawn down as at December 31, 2013.

Counterparty default risk

Counterparty default risk arises from the possibility that the issuer of a debt security, or the counterparty to a derivatives contract, fails to discharge its contractual obligations to WCB.

To mitigate counterparty default risk, WCB requires that credit ratings for counterparties not fall below an acceptable threshold. The Investment Policy permits bond issuers to have lower than a B- credit rating (or equivalent) score from a recognized credit-rating agency, but such holdings may not exceed 3 per cent of total fixed income assets in the portfolio. Counterparties for derivative contracts will have at least an A- credit rating (or equivalent) from a recognized credit-rating agency. Each fund is closely monitored for compliance to ensure that aggregate exposures do not exceed those specified investment constraints.

As at December 31, 2013, the aggregate amount of fixed income securities in segregated funds with counterparty ratings below BBB- was \$177,105 (2012 – \$115,960). WCB also has indirect exposure to counterparty default risk through its pooled investments. Seven per cent of the fixed income portfolio is held in pooled funds.

Securities lending risk

WCB participates in a securities-lending program sponsored by its custodian. Under IFRS 9, securities lending arrangements are considered to be transfers of assets that are not derecognized because the transferor retains substantively the risks and rewards of ownership, notwithstanding the transferee's right to sell or pledge those assets. WCB is protected against loss of the transferred securities by requiring the borrower to provide collateral in the form of cash or marketable securities having a minimum fair value of 102 per cent of the loan. Such collateral is not recognized because it is available to the transferor only upon failure of the transferee to fulfil its commitments. In any event, the custodian is also contractually obligated to indemnify WCB for any losses resulting from inadequate collateral.

At December 31, 2013, securities on loan through the custodian totalled \$908,340 (2012 – \$804,078), secured by \$961,697 (2012 – \$850,733) of posted collateral. During 2013, the securities-lending program generated income of \$2,192 (2012 – \$2,349).

7. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment are recognized as an asset if it is probable that WCB will realize future economic benefits. Items are measured at fair value upon initial recognition.

After initial recognition, property, plant and equipment is stated at historical cost less accumulated depreciation and impairment (if applicable) with the exception of land, which is not depreciated. Leased assets and leasehold improvements are depreciated over their lease term. All other items are depreciated over their expected useful life. Depreciation expense is recognized when an asset is ready for use.

Residual values, useful lives, and depreciation methods are reviewed at each financial year-end and adjusted if appropriate. Depreciation expense is included in claims management and corporate administration in the consolidated statement of comprehensive income (see Note 15 *Administration Expense*).

WCB applies the following annual depreciation rates and methods:

Buildings	2.5 per cent straight-line
Leasehold improvements	Straight-line over the expected lease term
Equipment:	
Computer (owned)	35 per cent declining balance
Computer (leased)	Straight-line over the lease term
Furniture and other	15 per cent declining balance
Vehicles	20 per cent straight-line

WCB evaluates its property, plant and equipment for indicators of impairment such as obsolescence, redundancy, deterioration, loss or reduction in future service potential, or when there is a change in intended use. When the carrying value exceeds the amount of future economic benefit through utilization, the item of property, plant and equipment is written down to expected value and the amount recognized as an impairment loss.

(\$ thousands)

						2013	2012
Cost	Land/ Buildings	Leasehold Improvements	Computer Equipment	Office Furniture/ Equipment	Vehicles/ Other	Total	Total
Balance, beginning of period	\$ 51,554	\$ 1,687	\$ 14,012	\$ 17,358	\$ 751	\$ 85,362	\$ 80,262
Current period activity:							
Capitalized expenditure	3,047	67	1,511	1,022	-	5,647	11,375
Transfer from PPE under construction	(2,330)	(51)	(235)	(330)	-	(2,946)	(7,474)
Disposals	-	-	(1,337)	(36)	-	(1,373)	(1,747)
PPE under construction	2,193	-	1,469	155	-	3,817	2,946
Balance, end of period	\$ 54,464	\$ 1,703	\$ 15,420	\$ 18,169	\$ 751	\$ 90,507	\$ 85,362
Accumulated depreciation and impairment							
Balance, beginning of period	\$ 19,161	\$ 1,012	\$ 7,224	\$ 9,658	\$ 346	\$ 37,401	\$ 33,192
Current period activity:							
Depreciation	1,268	73	3,345	1,181	147	6,014	5,956
Disposals	-	-	(1,338)	(36)	-	(1,374)	(1,747)
Balance, end of period	\$ 20,429	\$ 1,085	\$ 9,231	\$ 10,803	\$ 493	\$ 42,041	\$ 37,401
Carrying value, beginning of period	\$ 32,393	\$ 675	\$ 6,788	\$ 7,700	\$ 405	\$ 47,961	\$ 47,070
Carrying value, end of period	\$ 34,035	\$ 618	\$ 6,189	\$ 7,366	\$ 258	\$ 48,466	\$ 47,961

Property, plant and equipment under finance leases

Included in property, plant and equipment is computer equipment acquired through finance leases at cost of \$6,327 (2012 - \$6,683), accumulated depreciation of \$3,794 (2012 - \$2,803), and carrying value of \$2,533 (2012 - \$3,881).

See Note 9 *Lease and Other Commitments* for accounting policy and further details on leased property, plant and equipment.

8. INTANGIBLE ASSETS

ACCOUNTING POLICY

WCB's intangible assets are composed of computer software developed internally or acquired through third party vendors and customized as necessary. Development expenditure is capitalized only if the directly related costs (both internal and external) can be measured reliably, the product or process is technically feasible, future economic benefits are probable, and WCB has the intention and sufficient resources to complete development and to use the asset in the manner intended.

Computer software is measured at cost upon initial recognition. After initial recognition, computer software is measured at cost less accumulated amortization and impairment (if applicable). Computer software is amortized on a straight-line basis at 20 per cent per year commencing from the date that the software is available for use.

Amortization expense is included in claims management and corporate administration in the consolidated statement of comprehensive income (see Note 15 *Administration Expense*).

(\$ thousands)

			2013	2012
	In Use	Under Development	Total	Total
Cost				
Balance, beginning of year	\$ 126,538	\$ 3,694	\$ 130,232	\$ 125,710
Capitalized expenditure	-	7,494	7,494	5,788
Transfers from development	4,124	(4,124)	-	-
Disposals	(2,852)	-	(2,852)	(1,266)
Balance, end of year	\$ 127,810	\$ 7,064	\$ 134,874	\$ 130,232
Accumulated amortization and impairment				
Balance, beginning of year	\$ 107,862	\$ -	\$ 107,862	\$ 101,229
Amortization	7,126	-	7,126	7,899
Disposals	(2,852)	-	(2,852)	(1,266)
Balance, end of year	\$ 112,136	\$ -	\$ 112,136	\$ 107,862
Carrying value, beginning of period	\$ 18,676	\$ 3,694	\$ 22,370	\$ 24,481
Carrying value, end of period	\$ 15,674	\$ 7,064	\$ 22,738	\$ 22,370

9. LEASE AND OTHER COMMITMENTS

ACCOUNTING POLICY

Leases of property, plant and equipment where WCB acquires substantially all the risks and rewards of ownership are classified as finance leases. At lease commencement, finance leases are recognized in the consolidated statement of financial position as assets and corresponding obligations at the lower of the fair value of the leased property and the present value of future minimum lease payments.

Lease payments are allocated between the liability and finance charges using the effective interest method to achieve a constant rate of interest on the remaining balance of the lease. The interest portion of the payment is charged to income over the lease period, while the principal portion is applied against the lease obligation.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to income over the lease term.

Lease obligations

WCB has obligations under material long-term non-cancellable finance lease agreements for mainframe and desktop computer equipment. The land for WCB's rehabilitation centre and office space in Edmonton and Calgary are held under operating leases. WCB's leases have remaining terms of between one and eighteen years.

Undiscounted future minimum lease payments under finance leases are \$2,758 (2012 - \$4,198), with a carrying value of \$2,633 (2012 - \$3,982), the difference of \$125 (2012 - \$216) being the effect of discounting.

See Note 7 *Property, Plant and Equipment* for carrying values of computer equipment held under finance leases and Note 19(c) *Trade and Other Liabilities* for presentation of the current finance lease obligation.

Commitments

WCB enters into contractual commitments for purchases of goods and services as part of its regular business activities. Future undiscounted expenditure commitments are listed in the table below.

				2013	2012
	Leases				
	Finance	Operating	Other Commitments	Total	Total
2013	\$ -	\$ -	\$ -	\$ -	\$ 18,216
2014	2,023	1,903	27,463	31,389	13,574
2015	573	1,920	9,824	12,317	5,451
2016	152	1,922	4,909	6,983	4,343
2017	10	1,880	1,519	3,409	3,174
Beyond	-	4,130	332	4,462	4,047
	<u>\$ 2,758</u>	<u>\$ 11,755</u>	<u>\$ 44,047</u>	<u>\$ 58,560</u>	<u>\$ 48,805</u>

(\$ thousands)

10. EMPLOYEE BENEFITS

ACCOUNTING POLICY

WCB provides active service and defined post-employment benefits to its employees. WCB also participates in certain multi-employer pension plans sponsored by the province of Alberta. An expense and a liability for benefits earned are recognized in the period that employee service has been rendered.

For defined post-employment benefit plans, current benefit cost represents the actuarial present value of the benefits earned in the current period. Such cost is actuarially determined using the accrued benefit method prorated on service, a market interest rate, management's best estimate of projected costs, and the expected years of service until retirement. The liability as at the reporting date is the present value of the defined benefit obligation, which is determined by discounting the estimated future cash outflows using a discount rate based on market yields of high-quality corporate bonds having terms to maturity that approximate the duration of the related benefit liability. Interest expense represents the amount required in each year to build up the liability over the projected benefit period to its future value.

Remeasurement changes in benefit liabilities, composed of actuarial changes in assumptions and experience gains and losses, are recognized in other comprehensive gain (loss).

ACTIVE SERVICE BENEFITS

WCB's short-term benefits for active employees include salary, compensated absence (sick leave, statutory holidays, and annual vacation), group life insurance, dental and medical coverage, employee family assistance program, education support, and health and wellness benefits.

Termination benefits are provided for through employment contracts, statutory requirements, or constructive obligations. As at December 31, 2013, there were no material provisions relating to termination benefits.

POST-EMPLOYMENT BENEFITS

Pension plans

Employee post-retirement benefits are provided through contributory multi-employer defined benefit pension plans sponsored by the province of Alberta, namely the Public Service Pension Plan (PSPP) and the Management Employees Pension Plan (MEPP). Under defined benefit plan accounting, WCB must recognize its proportionate share, determined on an actuarial basis, of plan assets, obligations, remeasurement amounts, and service cost prorated on total contributory payroll.

Both plans have funding deficiencies that have statutory funding requirements by employers and employees to eliminate any plan deficiencies over a specific time horizon. The information in this note reflects an annual actuarial valuation of WCB's share of the plans' assets, benefit obligations, remeasurement amounts, and service cost.

Supplemental executive retirement plan

WCB sponsors a non-contributory supplemental executive retirement plan (SERP), with the WCB Accident Fund covering the obligations of the plan. Earnings of senior management generally exceed the threshold earnings for the maximum pension benefit permitted under the federal Income Tax Act. Under the terms of the SERP, senior management is entitled to receive supplemental retirement payments that bring their total pension benefits to a level consistent with their total earnings. Future pension benefits are based on the participants' years of service and earnings.

See Note 17 *Related Party Transactions* for a breakdown of SERP costs by executive position.

Post-retirement benefit plan

WCB provides a contributory benefit plan that provides dental and health care benefits to retirees on pensions between the ages of 55 to 65. As plan participants pay part of the benefit cost, the benefit obligation represents the difference between actual costs and contributions subsidized by WCB.

OTHER BENEFIT PLANS

Long-term disability plan

WCB administers a non-contributory long-term disability (LTD) income continuance plan for its employees, with the WCB Accident Fund covering the obligations of the plan. The LTD liability represents the present value of all future obligations arising from claims incurred during the period.

EMPLOYEE BENEFIT PLAN ASSUMPTIONS

The table below presents key assumptions applicable to WCB's employee future benefit plans.

	2013					2012				
	PSPP	MEPP	SERP	Past Estimate	LTD	PSPP	MEPP	SERP	Past Estimate	LTD
Date of most recent actuarial valuation	12/31/2013	12/31/2013	12/31/2013	12/31/2013	12/31/2013	12/31/2012	12/31/2012	12/31/2012	12/31/2012	12/31/2012
Economic assumptions										
Discount rate (nominal)	4.90%	4.90%	5.00%	4.70%	4.20%	4.30%	4.30%	4.50%	4.10%	3.50%
Alberta inflation rate (long-term)	2.25%	2.25%	2.25%	n/a	n/a	2.25%	2.25%	2.25%	n/a	n/a
Salary escalation rate	varied	varied	4.00%	n/a	3.00%	varied	3.50%	4.00%	n/a	3.00%
Multi-employer plan funding assumptions										
WCB share of plan contributory payroll	4.45%	1.37%				4.57%	1.34%			
Current service cost rate on contributory payroll	16.00%	20.90%				14.17%	19.70%			
WCB's contributions for the current period (\$ thousands)	\$ 13,667	\$ 1,413				\$ 11,500	\$ 1,356			
WCB's expected contributions for the following period (\$ thousands)	\$ 13,975	\$ 1,616				\$ 13,925	\$ 1,392			

DEFINED BENEFIT PLAN LIABILITIES

(\$ thousands)	Pension Liabilities ¹	Other Retirement Liabilities ²	LTD	2013	2012
Change in defined benefit obligation					
Defined benefit obligation, beginning of year	\$ 324,276	\$ 7,725	\$ 13,405	\$ 345,406	\$ 270,887
Current service cost ³	12,696	801	2,917	16,414	15,344
Interest expense ⁴	14,027	354	438	14,819	14,250
Remeasurement (gains) losses ⁵	(41,890)	(598)	(1,742)	(44,230)	55,305
Benefit payments	(9,848)	(51)	(2,047)	(11,946)	(10,380)
Defined benefit obligation, end of year	\$ 299,261	\$ 8,231	\$ 12,971	\$ 320,463	\$ 345,406
Change in fair value of plan assets					
Fair value of plan assets, beginning of year	\$ 191,404	\$ -	\$ -	\$ 191,404	\$ 165,829
Employer contributions	15,080	51	2,047	17,178	14,496
Interest income ⁶	8,369	-	-	8,369	8,873
Remeasurement gains (losses) ⁷	12,784	-	-	12,784	12,586
Benefit payments	(9,848)	(51)	(2,047)	(11,946)	(10,380)
Fair value of plan assets, end of year	\$ 217,789	\$ -	\$ -	\$ 217,789	\$ 191,404
Net plan liability					
Defined benefit obligation	\$ 299,261	\$ 8,231	\$ 12,971	\$ 320,463	\$ 345,406
Fair value of plan assets	217,789	-	-	217,789	191,404
	\$ 81,472	\$ 8,231	\$ 12,971	\$ 102,674	\$ 154,002

¹ Pension liabilities include WCB's proportionate share of the PSPP and MEPP net unfunded liabilities.

² Other retirement liabilities include SERP and post-retirement benefit plan.

³ Current service costs are presented within Corporate Administration in the consolidated statement of comprehensive income.

⁴ Interest expense is presented net of interest income in the consolidated statement of comprehensive income.

⁵ Remeasurement gains and losses on plan obligations is presented net of gains and losses on plan assets in the consolidated statement of comprehensive income.

RISKS ARISING FROM DEFINED BENEFIT PLANS

Economic risks

Defined benefit plans are directly exposed to economic risks from plan assets invested in capital markets, and indirectly with respect to measurement risk from assumptions based on economic factors, such as discount rates affected by volatile bond markets. Benefit obligations are exposed to uncertainty of future economic conditions, primarily inflation risk due to the extremely long tails of post-employment benefits, and health care escalation due to increasingly higher costs of treatment and prescription drugs.

Demographic risks

Demographic factors affect current and future benefit costs with respect to the amount and time horizon of expected payments due to such factors as workforce average age and earnings levels, attrition and retirement rates, mortality and morbidity rates, etc.

Multi-employer plan funding risk

In addition to economic and demographic risk factors, WCB is exposed to funding risk in the multi-employer plans arising from:

- Legislative changes affecting eligibility for and amount of pension and related benefits; and
- Performance of plan assets affected by investment policies set by the pension boards.

Because these plans are governed by legislation rather than contract, there is little flexibility for participants with respect to withdrawal from the plan, plan wind-up or amendments, and mandatory funding requirements.

Sensitivity analysis

The following table shows the effect of a 25 basis point change in the assumed discount rate, inflation rate, and wage inflation rate on WCB's proportionate share of the accrued benefit obligations of PSPP and MEPP. The impacts of the assumption changes on WCB's other employee benefit plans, individually and in aggregate, are immaterial.

(\$ thousands)	2013		2012	
	+0.25%	-0.25%	+0.25%	-0.25%
+/- % change on assumed rates				
Discount rate based on market yields on high-quality corporate bonds	\$ (10,611)	\$ 10,611	\$ (11,607)	\$ 11,607
General inflation rate	\$ 4,713	\$ (4,713)	\$ 5,100	\$ (5,100)
Wage inflation rate	\$ 2,201	\$ (2,201)	\$ 2,273	\$ (2,273)

11. CLAIM BENEFIT LIABILITIES

ACCOUNTING POLICY

The claim benefit liability represents the actuarial present value of all expected future benefit payments for claims occurring before the valuation date and for workplace exposures that may result in recognized occupational disease claims. The liability includes a provision for future costs of managing claims but does not include claims and payments that are on a self-insured basis. Valuation of claim benefit liabilities complies with Standards of Practice issued by the Actuarial Standards Board (ASB) of the Canadian Institute of Actuaries.

Gains and losses resulting from the valuation of the liability arise from differences between actual claims experience and that expected based on the previous valuation, changes to actuarial methods and assumptions as well as changes in policy, legislation, and administrative practices. Such gains and losses are recognized in income in the period that they occur.

ACTUARIAL METHODOLOGY AND BASIS OF VALUATION

Claim benefit liabilities have been independently valued at December 31, 2013, by WCB's external actuary. Claim benefit liabilities include a provision for all covered benefits and for the future expenses of administering those benefits, including funding obligations to the Appeals Commission and the Medical Panel Office.

Estimated future expenditures are expressed in constant dollars increased to consider expected future escalation, and then discounted at the assumed long-term rate of return on investments.

The valuation is based on WCB legislation, policies, and administrative practices in effect as at the valuation date. Estimation of the liability requires the use of actuarial methods and assumptions that are periodically assessed and adjusted based on frequent monitoring of actual claims experience, the economy, and other relevant factors throughout the year.

Since the claim benefit liabilities of WCB are of a long-term nature, the actuarial assumptions and methods used to calculate the reported claim benefit liabilities are based on considerations of future expenditures over the long term. As the determination of these liabilities requires assumptions about economic and other events that may occur many years in the future, but which are based on best information as at the valuation date, a significant degree of professional judgement must be exercised in developing these assumptions. Accordingly, changes in conditions within one year of the financial statement date could require material change in recognized amounts in a subsequent period or periods.

See Note 12 *Claim Benefit Risks* for further discussion of measurement uncertainty with respect to valuation of WCB's claim benefit liabilities.

ACTUARIAL ASSUMPTIONS

The most significant economic assumptions for the determination of claim benefit liabilities are the assumed rate of return on invested assets used for discounting expected future benefit payments, and the escalation rates for benefit costs into the future. All actuarial assumptions are determined on a "best estimate" basis except for the real rate of return on investments (i.e. the difference between the expected long-term investment earnings and the expected long-term general inflation rate). The expected long-term investment return assumption is targeted at a 70 per cent probability level, which provides a margin for adverse deviation in the liability.

Long-term economic assumptions for general inflation and wage escalation are developed by using historical statistics and other economic indicators. The cost-of-living adjustment assumption is determined by subtracting 0.5 per cent from the long-term general inflation assumption in accordance with policy. Health care escalation is developed from analysis of WCB health care cost experience, taking into consideration the results of external studies. This escalation rate represents general inflation plus excess inflation of 2.5 per cent, covering both the increases in the costs per treatment and in utilization.

The table below presents key long-term economic assumptions used to determine the claim benefit liabilities:

	2013	2012
Nominal rate of return, to 2016	4.55%	4.55%
Nominal rate of return, beyond 2016	5.58%	5.58%
General inflation rate	2.50%	2.50%
Real rate of return, to 2016	2.00%	2.00%
Real rate of return, beyond 2016	3.00%	3.00 %
Cost-of-living adjustment	2.00%	2.00%
Wage escalation	3.50%	3.50%
Health care escalation	5.00%	5.00%

RECONCILIATION OF CLAIM BENEFIT LIABILITIES

The table below is a reconciliation of the movement in claim benefit liabilities, highlighting the significant changes for each major benefit category.

(\$ thousands)	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Rehabilitation	Claims Management	2013	2012
Claim benefit liabilities, beginning of year	\$ 458,800	\$ 2,465,900	\$ 581,100	\$ 2,048,200	\$ 163,000	\$ 458,500	\$ 6,175,500	\$ 5,628,500
Claim costs recognized during the year								
Provision for future costs of current year injuries and exposures	99,900	159,400	32,700	216,300	41,700	64,200	614,200	591,000
Claim benefits processed in the year	77,838	3,054	2,133	132,533	3,379	49,726	268,663	251,674
Total claim costs recognized during the year	177,738	162,454	34,833	348,833	45,079	113,926	882,863	842,674
Claim payments processed during the year								
Payments for current year injuries	(77,838)	(3,054)	(2,133)	(132,533)	(3,379)	(49,726)	(268,663)	(251,674)
Payments for prior years' injuries	(86,636)	(156,336)	(44,269)	(151,705)	(36,931)	(56,420)	(532,297)	(522,961)
	(164,474)	(159,390)	(46,402)	(284,238)	(40,310)	(106,146)	(800,960)	(774,635)
Interest expense on the liability	18,500	108,600	25,500	89,300	6,500	19,500	267,900	242,500
Remeasurement of the liability								
Changes relating to policy, legislation and administrative practices	-	-	-	-	-	-	-	17,400
Changes relating to latent occupational diseases	-	-	-	-	-	-	-	686,400
Changes in valuation methods and assumptions								
Economic Loss Payments	-	(61,800)	-	-	-	-	(61,800)	(96,500)
Other changes in methods and assumptions	(8,400)	(500)	(1,600)	(4,000)	-	(4,800)	(19,300)	(14,000)
Lower discount rate related to real rate of return	-	-	-	-	-	-	-	37,200
Change to health care escalation rate	-	-	-	-	-	-	-	(232,000)
Changes in claims experience								
Inflation and wage growth different than expected	(700)	10,500	1,800	(19,600)	100	(1,000)	(8,900)	(59,800)
Actual costs different than expected	(13,500)	(30,000)	(300)	(16,300)	(200)	(4,400)	(64,700)	(68,500)
Other experience (gains) losses	(8,364)	(16,664)	(6,031)	(10,295)	2,231	(10,780)	(49,903)	(33,739)
	(30,964)	(98,464)	(6,131)	(50,195)	2,131	(20,980)	(204,603)	(236,461)
Claim benefit liabilities, end of year	\$ 459,600	\$ 2,479,100	\$ 588,900	\$ 2,151,900	\$ 176,400	\$ 464,800	\$ 6,320,700	\$ 6,175,500

See Note 14 *Claims and Claims Management Expenses* for details of the amounts recognized in income for the reporting period.

CLAIMS DEVELOPMENT

The table that follows presents the development of the estimated ultimate cost of claims and claim payments for accident years 2005 - 2013. The top part of the table illustrates how the estimate of total claims benefits for each accident year has changed with more experience over succeeding year-ends. The shaded claims triangle shows the estimated cost of claims for an accident year in the year of accident, one year after the year of accident, two years after the year of accident and so on and compares the total estimated cost to the actual cumulative payments over the development period. Due to the extremely long duration of many WCB benefit types, significant amounts may be paid out in the distant future beyond the valuation date. The bottom part of the table reconciles the total outstanding benefits amount to the discounted amount reported in the consolidated statement of financial position.

	Accident Year										
(\$ thousands)	Prior Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Estimate of cumulative claims benefits											
At end of accident year		1,041,803	1,150,098	1,313,629	1,407,779	1,301,798	1,333,450	1,444,292	1,320,790	1,423,621	
One year later		1,044,701	1,189,008	1,295,318	1,308,486	1,250,394	1,299,370	1,250,437	1,305,653		
Two years later		1,054,176	1,178,679	1,197,062	1,276,380	1,239,500	1,118,489	1,220,857			
Three years later		1,042,662	1,096,841	1,176,070	1,271,144	1,095,702	1,080,833				
Four years later		980,429	1,072,273	1,154,051	1,135,923	1,074,680					
Five years later		957,173	1,079,888	1,035,340	1,113,055						
Six years later		944,210	988,475	1,016,234							
Seven years later		863,301	979,481								
Eight years later		857,063									
Current estimate of cumulative claims benefits											
		857,063	979,481	1,016,234	1,113,055	1,074,680	1,080,833	1,220,857	1,305,653	1,423,621	
Cumulative payments											
		(394,808)	(423,689)	(423,932)	(438,188)	(385,038)	(364,197)	(380,001)	(331,100)	(218,937)	
Outstanding benefits											
Undiscounted	\$ 5,014,591	\$ 462,255	\$ 555,792	\$ 592,302	\$ 674,867	\$ 689,642	\$ 716,636	\$ 840,850	\$ 974,553	\$ 1,204,684	\$ 11,766,172
Effect of discounting	(2,581,961)	(277,255)	(335,792)	(357,302)	(405,867)	(418,642)	(435,636)	(504,850)	(579,553)	(652,184)	(6,559,072)
	2,462,600	185,000	220,000	235,000	269,000	271,000	281,000	336,000	395,000	552,500	5,207,100
Claims management											464,800
Latent occupational diseases											648,800
Claim benefit liabilities											\$ 6,320,700

12. CLAIM BENEFIT RISKS

Because there is no statutory limit on the benefit amount payable or the duration of the risk exposure related to work-related injuries, WCB bears risk with respect to its future claim costs, which could have material implications for liability estimation. In determining WCB's claim benefit liabilities, a primary risk is that the actual benefit payments may exceed the amount estimated in determining the liabilities. This may occur due to changes in claim reporting patterns, frequency and/or size of claim payments or duration of claims. Compensable injuries and benefits payable may also change due to legislation or policy changes. With potentially long claims run-off periods, inflation is also a factor because future costs could escalate at a faster rate than expected.

The uncertainties associated with WCB claim benefit liabilities are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The most significant assumption in the determination of the claim benefit liabilities is the real rate of return. A reduction in the assumed real rate of return would increase the actuarial present value of the claim benefit liabilities. Wage inflation affects the liabilities through benefits such as vocational rehabilitation and home maintenance allowances. An increase in assumed wage growth would increase the respective liabilities. Health care benefits represent approximately 34 per cent of the claim benefit liabilities. An increase in the assumed health care escalation rate would result in an increase in the liability for health care.

EFFECT OF ASSUMPTION CHANGES ON CLAIM BENEFIT LIABILITIES

The table below shows the sensitivity of the claim benefit liabilities to an immediate 0.25 per cent increase or decrease in the assumed rates:

(\$ thousands)	2013		2012	
	+0.25%	-0.25%	+0.25%	-0.25%
+/- % change on assumed rates				
Real rate of return	\$ (188,400)	\$ 199,700	\$ (183,700)	\$ 194,500
Wage inflation rate	\$ 48,000	\$ (45,900)	\$ 46,200	\$ (44,300)
Health care escalation rate	\$ 82,400	\$ (77,600)	\$ 78,500	\$ (73,900)

13. PREMIUM REVENUE

ACCOUNTING POLICY

Premiums are assessed and due when employers report their insurable earnings for the current year. For employers who have not reported, premiums are estimated and included in the amount receivable. Premium revenue includes estimates for Partnerships in Injury Reduction (PIR) rebates and other items. Premium revenue is fully earned and recognized over the annual coverage period. Any difference between actual and estimated premiums and rebates is adjusted in the following year.

(\$ thousands)	2013	2012
Premiums		
Assessed premium revenue for current year	\$ 1,218,480	\$ 1,238,127
Other premium-related revenue	8,686	9,432
	1,227,166	1,247,559
Deduct: Partnerships in injury reduction rebates	96,988	90,339
	\$ 1,130,178	\$ 1,157,220

Assessed premium revenue includes an accrual of \$19,582 (2012 - \$16,825) for amounts related to yet to be reported insurable earnings for the current period. The accrual has been determined using an internally developed statistical model to estimate the amount of unreported earnings based on actual returns processed to date and historical patterns of processed to unprocessed returns at a specified point in time. PIR is a voluntary program that pays rebates to those registered employers that have met the eligibility requirements in achieving certain workplace safety targets as specified under the program. Earned rebates are payable in the following year. The estimated rebate amount is based on several factors, including premiums paid, year-over-year improvement in claims experience and safety performance relative to industry benchmarks, among others.

For both premium and PIR accruals, the differences between actual and estimated amounts in past years have not been material.

14. CLAIMS AND CLAIMS MANAGEMENT EXPENSES

The table below presents details of claims and claims management expenses reported in the consolidated statement of comprehensive income.

(\$ thousands)

	2013			2012
	Current Year Injuries	Prior Years' Injuries	Total	Total
Claims expense				
Provision for future costs of current year injuries and exposures ¹	\$ 614,200	\$ -	\$ 614,200	\$ 591,000
Claim payments processed in the year				
Short-term disability	77,838	86,636	164,474	157,580
Long-term disability	3,054	156,336	159,390	151,332
Survivor benefits	2,133	44,269	46,402	43,645
Health care	132,533	151,705	284,238	280,064
Rehabilitation	3,379	36,931	40,310	38,301
	218,937	475,877	694,814	670,922
Claim payments related to prior years²	-	(532,297)	(532,297)	(522,961)
	218,937	(56,420)	162,517	147,961
	\$ 833,137	\$ (56,420)	\$ 776,717	\$ 738,961
Claims management³				
Claims-related administration	49,715	45,160	94,875	93,267
Appeals Commission	11	10,969	10,980	10,164
Medical Panel Office	-	291	291	282
	\$ 49,726	\$ 56,420	\$ 106,146	\$ 103,713
	\$ 882,863	\$ -	\$ 882,863	\$ 842,674

¹ Provision for future costs of current year injuries represents the present value of all future obligations for benefit payments arising from current year injuries and occupational disease exposures.

² Although claim payments relating to prior years injuries are processed in the reporting period, they are not expensed in the current year but are charged to the liabilities established for prior accident years.

³ Claims management represents WCB's internal functional costs related to claims processing as well as funding of the external decision review bodies. Claims management expenses are included in claim benefit liabilities for valuation purposes but are presented separately in the consolidated statement of comprehensive income.

15. ADMINISTRATION EXPENSE

WCB's primary administrative functions include:

- **Claims-related administration**—responsible for adjudicating claims, processing benefit payments, and the provision of return-to-work services to claimants.
- **Corporate administration**—provides general management and administrative support.

The table below presents administration expenses broken down by nature of expense and by function:

(\$ thousands)

	Corporate	Claims-related	2013	2012
Administration expenses				
Salaries and employee benefits	\$ 56,882	\$ 106,408	\$ 163,290	\$ 161,670
Technology	12,904	6,058	18,962	18,904
Office	4,008	1,128	5,136	4,975
Occupancy	3,007	5,601	8,608	7,883
Professional fees	1,569	2,503	4,072	3,979
Depreciation and amortization	7,013	6,127	13,140	13,855
Travel	647	462	1,109	1,135
Other	1,259	607	1,866	1,192
	<u>87,289</u>	<u>128,894</u>	<u>216,183</u>	<u>213,593</u>
Less:				
Cost recoveries - legal action	3	3,248	3,251	3,300
Cost recoveries - other	72	3,926	3,998	3,709
Reclassifications to:				
Claims expense - rehabilitation services	-	26,845	26,845	28,498
Investment Management expense	3,299	-	3,299	2,629
	<u>3,374</u>	<u>34,019</u>	<u>37,393</u>	<u>38,136</u>
	<u>\$ 83,915</u>	<u>\$ 94,875</u>	<u>\$ 178,790</u>	<u>\$ 175,457</u>

16. INVESTMENT INCOME AND EXPENSE

ACCOUNTING POLICY

The primary components of investment income include:

- (a) Gains and losses from investments classified at fair value through income (including gains and losses from remeasurement and from disposition of assets) recognized in income in the period in which they arise;
- (b) Interest revenue accrued using the effective interest method, net of amortization of any premium or discount recognized at date of purchase;
- (c) Dividend income when a right to payment has been established based on the ex-dividend date for quoted securities; and
- (d) Property income (operating income such as rentals and other business revenue) when a right to distributable income has been established.

Investment expense is composed primarily of investment management expenses, for both external and internal portfolio managers. Fund management expenses of pooled investments, excluding investment management fees, are netted against the revenues of those respective funds.

INVESTMENT INCOME

(\$ thousands)

						2013	2012
	Interest	Dividends	Gains (Losses)	Property	Derivatives	Total	Total
Fixed income							
Bonds ¹	\$ 91,242	\$ -	\$ (119,888)	\$ -	\$ (26,320)	\$ (54,966)	\$ 156,448
Mortgages	24,244	-	(9,663)	-	-	14,581	15,253
Short-term investments	4,293	-	-	-	-	4,293	3,061
	119,779	-	(129,551)	-	(26,320)	(36,092)	174,762
Equities							
Domestic equities	-	34,762	88,947	-	-	123,709	76,310
Foreign equities	-	46,347	618,836	-	(67,504)	597,679	276,087
	-	81,109	707,783	-	(67,504)	721,388	352,397
Inflation-sensitive							
Real estate	-	-	86,358	26,359	-	112,717	154,499
Infrastructure	-	-	118,108	22,299	(19,570)	120,837	100,399
	-	-	204,466	48,658	(19,570)	233,554	254,898
	\$ 119,779	\$ 81,109	\$ 782,698	\$ 48,658	\$ (113,394)	\$ 918,850	\$ 782,057

¹ Includes both nominal and real return bonds.

INVESTMENT MANAGEMENT EXPENSE

(\$ thousands)

	2013	2012
Fund management fees	\$ 29,348	\$ 26,425
Custody fees	509	371
Investment administration	3,299	2,629
	<u>\$ 33,156</u>	<u>\$ 29,425</u>

17. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Alberta Crown corporations, departments, agencies, boards, educational institutions and commissions related to WCB by virtue of common influence by the Government of Alberta. Routine operating transactions in the ordinary course of business are settled at terms equivalent to those for arm's length entities.

Included in related-party transactions are certain funding obligations relating to Occupational Health and Safety, the Appeals Commission and the Medical Panel Office that are in accordance with the applicable legislation and/or regulations. The amounts outstanding at December 31 and transactions throughout the year related to these funding obligations are disclosed in this note.

Key management personnel of WCB, comprising the Board of Directors and the executive and their close family members, are also related parties in accordance with IAS 24 Related Party Disclosures. As at the reporting date, there were no business relationships, outstanding amounts or transactions other than compensation, between WCB and its key management personnel requiring disclosure in these consolidated financial statements.

The amounts outstanding at December 31 and transactions throughout the year with the related parties described above, excluding key management personnel, are as follows:

(\$ thousands)

	2013	2012
Receivables	\$ -	\$ 3
Payables and accruals	\$ 2,467	\$ 2,297
Expenses	<u>\$ 47,992</u>	<u>\$ 39,083</u>

KEY MANAGEMENT COMPENSATION

The tables below present total compensation of the directors and executive of WCB.

(\$)

	2013				
	Base Salary ¹	Other Cash Benefits ²	Non-Cash Benefits ³	SERP ⁴	Total
Chair, Board of Directors ⁵	\$ -	\$ 58,446	\$ 3,611	\$ -	\$ 62,057
Board Members ⁶	-	165,600	10,463	-	176,063
President and Chief Executive Officer	439,000	231,500	41,311	94,300	806,111
Vice-President, Operations & Chief Information Officer ⁷	347,000	127,450	35,468	77,000	586,918
Chief Financial Officer	321,000	118,350	37,749	59,000	536,099
Vice-President, Customer Service & Risk Management	298,000	109,937	37,494	56,500	501,931
Vice-President, Employee & Corporate Services	256,000	82,800	36,215	37,300	412,315
Secretary & General Counsel	251,000	81,800	38,803	40,400	412,003
Vice-President, Operations & Disability Management ⁸	85,667	32,483	10,320	6,900	135,370

	2012				
	Base Salary ¹	Other Cash Benefits ²	Non-Cash Benefits ³	SERP ⁴	Total
Chair, Board of Directors ⁵	\$ -	\$ 55,494	\$ 4,478	\$ -	\$ 59,972
Board Members ⁶	-	135,916	8,201	-	144,117
President & Chief Executive Officer	408,000	216,000	39,724	75,200	738,924
Vice-President, Disability & Information Management ⁷	329,000	121,500	34,068	57,200	541,768
Chief Financial Officer	304,000	112,400	36,406	44,600	497,406
Vice-President, Customer Service & Risk Management	289,000	107,150	36,166	48,600	480,916
Vice-President, Employee & Corporate Services	248,000	80,400	35,404	30,600	394,404
Secretary & General Counsel	243,000	78,900	36,936	34,600	393,436

¹ Base salary is pensionable base pay.

² Other cash benefits include pay at risk, car allowances and honoraria.

³ Non-cash benefits include employer's share of all employee benefits and payments made to or on behalf of employees including statutory contributions, pension plans, extended health care benefits, group life insurance, and professional memberships.

⁴ SERP represents employer's current service cost for benefits accrued under a supplemental executive retirement plan. See Note 10 Employee Benefits for details of the plan, and the following table for the costs and obligations related to each named key management position.

⁵ The Chair of the Board of Directors and the nine Board members are part-time positions. There were a number of vacancies in 2012.

⁶ The position of Vice-President, Operations & Chief Information Officer was established in 2013. The incumbent was previously Vice-President, Disability & Information Management.

⁷ Incumbent retired on December 31, 2013.

⁸ The position of Vice-President, Operations & Disability Management was established in 2013. The incumbent took office September 1, 2013.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(\$)	2013				2012	
	Current Service Cost ¹	Other Costs ²	Net Cost	Accrued Obligation	Net Cost	Accrued Obligation
President & Chief Executive Officer	\$ 94,300	\$ (1,300)	\$ 93,000	\$1,083,200	\$ 276,000	\$ 990,200
Vice-President, Operations & Chief Information Officer	77,000	(34,200)	42,800	736,000	235,500	693,200
Chief Financial Officer	59,000	(16,200)	42,800	452,400	144,700	409,600
Vice-President, Customer Service & Risk Management	56,500	10,600	67,100	575,600	119,500	508,500
Vice-President, Employee & Corporate Services	37,300	10,300	47,600	383,100	90,600	335,500
Secretary & General Counsel	40,400	9,600	50,000	413,900	87,300	363,900
Vice-President, Operations & Disability Management	6,900	2,400	9,300	9,300	-	-

¹ Current service cost represents the actuarial present value of future benefit obligations arising from employee service in the current period.

² Other costs include interest on the liability and actuarial gains and losses arising from assumption changes and/or experience.

18. CONTINGENCIES AND INDEMNIFICATION

LEGAL PROCEEDINGS

WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. Based on the total amount of all such actions, WCB has concluded that the outcomes will not have a material effect on the results of operations or financial position.

INDEMNIFICATION AGREEMENTS

In the normal course of operations, WCB enters into contractual agreements that contain standard contract terms that indemnify certain parties against loss. The terms of these indemnification clauses will vary based upon the contract, and/or the occurrence of contingent or future events, the nature of which prevents WCB from making a reasonable estimate of the potential amount that may be payable to those contractual parties. Such indemnifications are not significant, nor has WCB made any payments or accrued any amounts in the consolidated financial statements in respect of these indemnifications.

19. SUPPLEMENTAL INFORMATION

(a) Cash and cash equivalents

(\$ thousands)

	2013	2012
Cash in transit and in banks	\$ 15,233	\$ 14,310
Cash equivalents	495,070	201,598
Cash and cash equivalents	\$ 510,303	\$ 215,908

Cash equivalents are invested in a portfolio of high-quality, short- to mid-term, highly liquid fixed-income securities that generated an average annual return of 1.2 per cent (2012 – 1.2 per cent).

(b) Trade and other receivables

(\$ thousands)

	2013	2012
Employer		
Accounts receivable	\$ 62,813	\$ 62,979
Accrued	19,582	16,825
	82,395	79,804
Other		
	10,886	11,687
	\$ 93,281	\$ 91,491

Accrued employer accounts receivable represent premiums related to employers that had not yet reported their insurable earnings by year-end. Substantially all receivables are collected within one year.

(c) Trade and other liabilities

(\$ thousands)

	Trade	Other	2013	2012
Trade payables	\$ 54,032	\$ -	\$ 54,032	\$ 54,349
Lease obligations	-	2,633	2,633	3,982
Other liabilities	-	8,851	8,851	7,364
	\$ 54,032	\$ 11,484	\$ 65,516	\$ 65,695
Current portion	\$ 54,032	\$ 1,931	\$ 55,963	\$ 56,394
Non-current portion	-	9,553	9,553	9,301
	\$ 54,032	\$ 11,484	\$ 65,516	\$ 65,695

See Note 9 *Lease and Other Commitments* for details of the lease obligations.

(d) Surplus distributions

(\$ thousands)	Change in Comprehensive Income		Surplus Distributions Payable	
	2013	2012	2013	2012
Surplus distributions, beginning of year			\$ 85,733	\$ 850
Payment of prior years' surplus distributions			(85,353)	-
			380	850
Adjustment of prior years' accruals	\$ (380)	\$ (649)	(380)	(607)
Outstanding balance from prior years			-	243
Surplus distributions authorized for the year	524,478	85,490	524,478	85,490
Surplus distributions, end of year	<u>\$ 524,098</u>	<u>\$ 84,841</u>	<u>\$ 524,478</u>	<u>\$ 85,733</u>

Substantially all surplus distributions are paid within one year.

(e) Safety rebates

(\$ thousands)	2013	2012
Safety rebates payable, beginning of year	\$ 90,339	\$ 73,327
Payment of prior years' rebates	(85,501)	(72,182)
	4,838	1,145
Adjustment of prior years' accruals	3,579	2,051
Outstanding balance from prior years	8,417	3,196
Rebates for the year	88,571	87,143
Safety rebates payable, end of year	<u>\$ 96,988</u>	<u>\$ 90,339</u>

Safety rebates represent amounts recognized under the PIR program. See Note 13 *Premium Revenue* for further discussion of the PIR program.

(f) Injury reduction

(\$ thousands)	2013	2012
Occupational Health and Safety	\$ 37,042	\$ 28,968
Industry safety associations	20,742	17,800
	<u>\$ 57,784</u>	<u>\$ 46,768</u>

Injury reduction is composed of statutory funding of Occupational Health and Safety and voluntary premium levies to fund industry-sponsored safety associations.

2013 summary of claims administered

	2013	2012
Active claims as of January 1	28,910	27,879
New lost-time claims	27,707	27,339
New medical-aid-only claims	121,574	121,227
Total new claims reported	149,281	148,566
Recurrent claims ¹	15,866	22,798
	165,147	171,364
Total claims administered	194,057	199,243

¹Previously inactive claims that required further adjudication or case management. Claims may reopen for a number of reasons, such as payments for medical aid or requests for further compensation benefits.

Ineligible claims

LOST-TIME CLAIMS

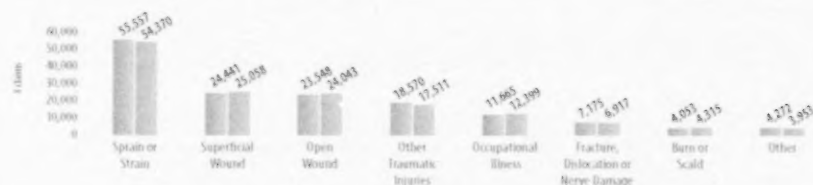
Insufficient information available to process claim	241	282
Not covered under <i>Workers' Compensation Act</i>	149	120
Injury or illness not arising out of/in course of employment	2,369	2,165

MEDICAL-AID-ONLY CLAIMS

Insufficient information available to process claim	5,127	5,115
Not covered under <i>Workers' Compensation Act</i>	2,398	2,357
Injury or illness not arising out of/in course of employment	5,187	4,953

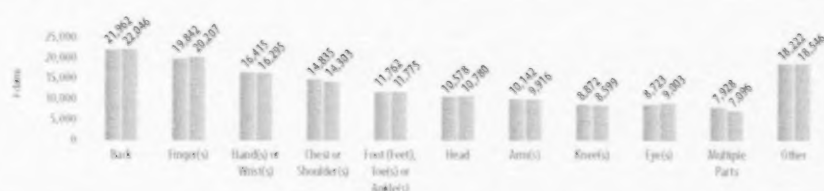
New claims by nature of injury

2013 2012



New claims by part of body

2013 2012



Other Information: Performance Measures, Sources and Methodologies

Inter-provincial rank of Alberta's First Nations, Métis and Inuit off-reserve labour force participation rate

Statistics Canada's Labour Force Survey (LFS) is the primary source of statistics on employment and unemployment in Canada and the provinces. The LFS is conducted by Statistics Canada across the country. The Canadian sample size for the monthly Labour Force Survey was 56,027 households over the reporting period. Alberta's sample size corresponds to its share of the national population. An average of 5,540 Alberta households were surveyed each month. The coefficient of variation (the standard error as a percentage of the reported result) is approximately 2.5 per cent for the 92,900 Albertans in the First Nations, Métis and Inuit labour force (off-reserve).

The LFS provides information on the work activities of the respondents during the week containing the 15th day of the month known as the reference week. The LFS includes a question that asks respondents if they identify themselves with at least one Aboriginal group, for example, North American Indian, Métis or Inuit. The First Nations, Métis and Inuit labour force (off-reserve) represents the number of people in the working age population that are either employed or actively seeking employment (unemployed). This is calculated as a 12-month average for the calendar year.

With this performance measure, the rate for Alberta is compared to the nine other Canadian provinces. The inter-provincial ranking is reported to assess how Alberta ranks when compared to the other provinces across Canada.

The target population covered by the survey corresponds to all persons aged 15 years and over residing in Canada, with the exception of the following: persons living on reserves and other Aboriginal settlements; full-time members of the Canadian Forces and the institutionalized population.

For more information on the methodology of the Labour Force Survey, please see *Guide to the Labour Force Survey (2013)*, Statistics Canada: <http://www.statcan.gc.ca/pub/71-543-g/71-543-g2013001-eng.htm>

Lost-time Claim Rate: Number of lost-time claims per 100 person-years worked

The Lost-time Claim Rate represents the probability, or risk, of injury or disease to a worker during a period of one year's work. The measure indicates the number of lost-time claims per 100 person-years worked to indicate increases or decreases in this risk. One person-year is equivalent to one full-time worker working for one year, or 2,000 hours worked.

The Workers' Compensation Board – Alberta (WCB) records a lost-time claim when a worker, his/her physician, or his/her employer submits an injury report form. The WCB collects this information, calculates estimated person-years worked, and provides the data files to Jobs, Skills, Training and Labour for analysis. Prior to 2010-2011, the estimated person-years worked was calculated by Human Services rather than the WCB. Since 2010-2011, estimated person-years worked has been calculated by WCB and used in Jobs, Skills, Training and Labour's calculations for current and historical results. The lost-time claim rate is reported by calendar year and is calculated by dividing the number of lost-time claims by the number of estimated person-years worked.

The previous four years of results were re-calculated with the updated data provided by the WCB. WCB sends Jobs, Skills, Training and Labour a new data file each year, which includes all of the most recent injury data. Re-calculating the historical results provides the reader with the most accurate and up-to-date injury information. There is no change in how the result is calculated.

Alberta's labour force participation rate and interprovincial rank

Statistics Canada's Labour Force Survey (LFS) is the primary source of statistics on employment and unemployment in Canada and the provinces. The LFS is conducted by Statistics Canada across the country. The Canadian sample size for the monthly Labour Force Survey was 56,027 households over the reporting period. Alberta's sample size corresponds to its share of the national population. An average of 5,540 Alberta households were surveyed each month. The coefficient of variation (the standard error as a percentage of the reported result) for the estimated 2,318,200 Albertans in the labour force is 1.0 per cent.

The LFS provides information on the work activities of survey respondents during the week containing the 15th day of the month known as the reference week. The target population covered by the survey corresponds to all persons aged 15 years and over residing in Canada, with the exception of the following: persons living on reserves and other Aboriginal settlements, full-time members of the Canadian Forces, and the institutionalized population. The labour force is the sum of the number of persons employed and the number of persons actively seeking employment (unemployed). This is calculated as a 12-month average for the calendar year.

The participation rate represents the percentage of the working age population that is either employed or actively seeking employment (unemployed). With this performance measure, the rate for Alberta is compared to the nine other Canadian provinces. The inter-provincial ranking is reported to assess how Alberta ranks when compared to the other provinces across Canada.

For more information on the methodology of the Labour Force Survey, please see *Guide to the Labour Force Survey (2013)*, Statistics Canada: <http://www.statcan.gc.ca/pub/71-543-g/71-543-g2013001-eng.htm>

Alberta's immigrant labour force participation rate

Statistics Canada's Labour Force Survey (LFS) is the primary source of statistics on employment and unemployment in Canada and the provinces. The LFS is conducted by Statistics Canada across the country. The Canadian sample size for the monthly Labour Force Survey was 56,027 households over the reporting period. Alberta's sample size corresponds to its share of the national population. An average of 5,540 Alberta households were surveyed each month. The coefficient of variation (the standard error as a percentage of the reported result) for the estimated 2,318,200 Albertans in the labour force is 1.0 per cent.

The LFS provides information on the work activities of survey respondents during the week containing the 15th day of the month known as the reference week. The target population covered by the survey corresponds to all persons aged 15 years and over residing in Canada, with the exception of the following: persons living on reserves and other Aboriginal settlements, full-time members of the Canadian Forces, and the institutionalized population. The labour force is the sum of the number of persons employed and the number of persons actively seeking employment (unemployed). This is calculated as a 12-month average for the calendar year.

The participation rate represents the percentage of the working age population that is either employed or actively seeking employment (unemployed). This performance measure looks particularly at those who identify themselves as a landed immigrant. A landed immigrant is a person who has been granted the right to live in Canada permanently by immigration authorities. Canadian citizens by birth and non-permanent residents (persons from another country who live in Canada and have a work or study permit, or are claiming refugee status, as well as family members living here with them) are not landed immigrants.

For more information on the methodology of the Labour Force Survey, please see *Guide to the Labour Force Survey (2013)*, Statistics Canada: <http://www.statcan.gc.ca/pub/71-543-g/71-543-g2013001-eng.htm>

Other Statutory Reports

Statutes of Alberta Chapter P-39.5 – *Public Interest Disclosure (Whistleblower Protection) Act*

s. 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* requires the chief officer of a department to report annually on all disclosures made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.

This constitutes the annual report of the chief officer of the department covering the period of April 1, 2013 to March 31, 2014.

There have been no disclosures received by, acted on or not acted on by the designated officer.

Therefore there have been no investigations commenced by the designated officer as the result of disclosures and there is no data to report in relation to the reporting requirements under s. 32 of the *Public Interest Disclosure (Whistleblower Protection) Act*.

